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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER



SURVEY
Taiwan at the crossroads
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FT No. 31,578
THE FINANCIAL TIMES LIMITED 1991

Thursday October 10 1991

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World News Business Summary

UK expected to move on boat people repatriation

The British government is expected to announce next week its intention to go ahead with the forced repatriation to Vietnam of boat people in Hong Kong who have been denied refugee status.

Sony reaches truce with Philips on audio system

Philips of the Netherlands and Sony of Japan, leading contenders to develop a new high-fidelity recording system, reached an apparent truce and announced support for one another's technologies.

Fried Krupp and Hoesch aim to forge alliance

By Andrew Fisher in Frankfurt

FRIED Krupp and Hoesch, the German steel and engineering groups, are today expected to announce a close alliance that could eventually lead to a merger between the two Ruhr-based manufacturers.

The companies, which have a combined turnover of DM34bn (\$20bn) and employ 110,000 people, said they would hold a joint press conference in Düsseldorf today. A tie-up would represent a major shift of industrial power in north Germany, possibly rekindling charges from abroad that

potential foreign bidders are being kept out of the market. The starting point for the deal is Krupp's acquisition of a 24.9 per cent stake in Hoesch. The latter recently announced a 66 per cent slide in interim pre-tax profits from DM410m to DM140m, mostly reflecting weak steel business.

Under its previous chief executive, Mr Detlev Rohwedder - who left to run east Germany's Trenhand privatisation agency before being murdered in April by terrorists - Hoesch had been undergoing restruct-

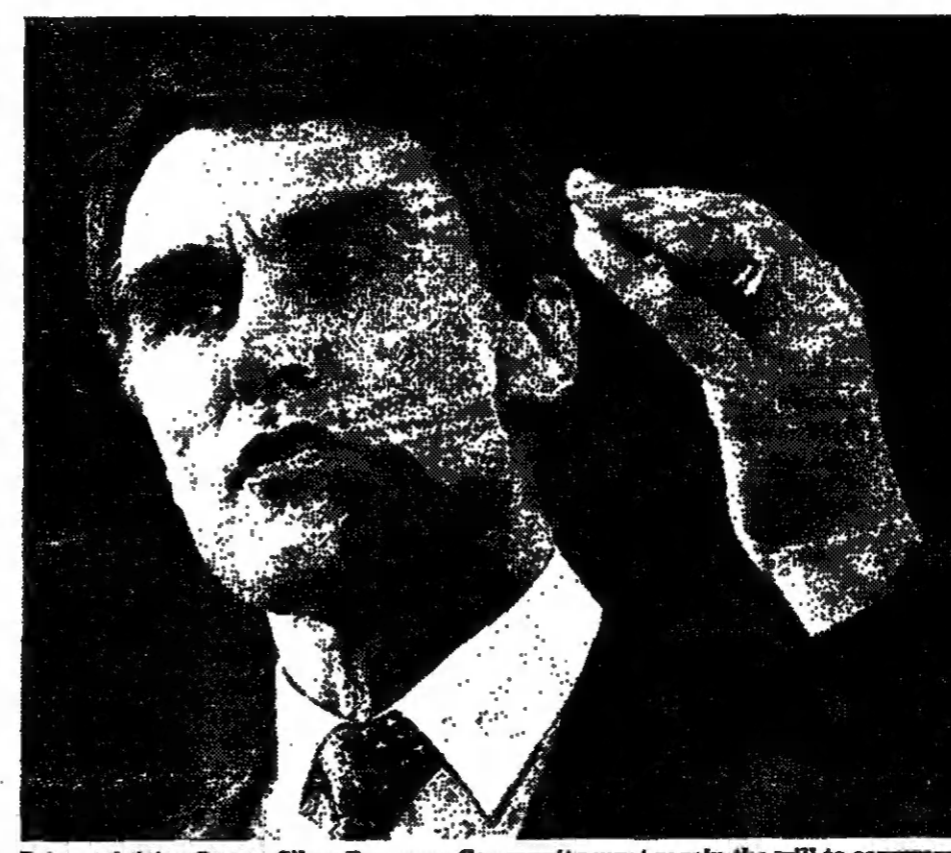
uring. However, the latest results showed this process still had some way to go. The top job at Hoesch, based in Dortmund, was recently taken over by Mr Kajo Nienkirchen, 49, who had turned round Klöckner-Humboldt-Deutz, the Cologne-based diesel and engineering concern.

In 1990, Hoesch made operating profits of DM440m against DM517m the previous year, reflecting a drop of DM100m in steel profits. Turnover was 2 per cent higher at DM16.1bn. Krupp, headquartered in

Portugal seeks greater unity within the EC

By Patrick Blum in Lisbon

PORTUGAL will seek to deepen European Community integration rather than immediately pursuing enlargement when it takes over the EC presidency from the Dutch in January, Mr Anibal Cavaco Silva, the Portuguese prime minister, said yesterday.



Prime minister Cavaco Silva: European Community must regain the will to compromise

Mr Cavaco Silva, outlining his priorities for Portugal's presidency, said it was "fundamental that member states regain the will to overcome difficulties and to compromise to achieve progress towards monetary and political integration". He hoped a compromise would be reached at the Maastricht conference on political and economic union to be held in December.

The task had been more difficult recently because "too many events and demands from outside the Community required its attention". Mr Cavaco Silva said, in his first interview since the victory of his Social Democratic party in last Sunday's general election.

Portugal was against a two-speed Europe, Mr Cavaco Silva said. "The idea appeared recently, and fortunately it was rejected. It is unacceptable. We can have transition periods, but not a two-speed Europe. When we are moving towards deeper integration it doesn't make any sense to talk about two speeds," he said.

Portugal which joined the EC in 1986, wanted to make its contribution to the construction of the new Europe and to the "hard-core" that is formed by the Twelve. The Community must maintain a dialogue with the rest of the world, but it must first complete the task it has set itself, he said.

UK postpones high-speed rail link to Channel

By Richard Tomkins, Transport Correspondent, in London and David Owen in Blackpool

THE construction of a high-speed railway line between London and the Channel tunnel has been postponed by the British government until well into the next century.

secretary, who wants the line to help open up new opportunities for development in the east London corridor.

This means passengers travelling on high-speed Channel tunnel expresses between London and the Continent will face a slow journey on the British side for at least a decade after the tunnel opens.

Equally, the postponement marks a triumph for the UK Treasury which does not believe that BR's traffic forecasts will justify the opening of a new line until at least 2005.

The decision brought a furious reaction from Eurotunnel, the company building the tunnel, and a wide range of other bodies. Sir Alastair Morton, Eurotunnel's chief executive, expressed "total dismay" over the delay, saying: "The French will not know whether to laugh or cry."

The government has drawn up no plans for financing the construction of the line, expressing the hope that the private sector will come forward to build it. This view was hotly disputed by the Central Transport Consultative Committee, the rail passengers' statutory watchdog.

Mr Rifkind said that the more of BR which was privatised the better, but admitted that it was "not attainable" simply to sell off the entire organisation. "We have already pledged ourselves to give support to locally desirable services," he said.

Stating that the government intended to "end BR's monopoly of rail services as soon as possible", he urged it in the meantime to "give positive and sympathetic consideration to reasonable proposals from the private sector to introduce new freight or passenger services."

Yugoslav ceasefire
Yugoslavia's federal army and Croatian officials yesterday agreed details of the latest ceasefire. The terms included lifting blockades on Adriatic ports and army barracks in Croatia and a partial federal army withdrawal from the breakaway republic. Key to peace, Page 3

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Iraqis 'shelled Kurds'
The Iraqi army shelled Kurdish towns despite a truce between Kurds and the Baghdad government, the rebels said. Kurdish guerrillas had been close to Iraq's borders with Iran and Turkey in case more fighting broke out with Iraq.

Romanian kidnapped
Lilzu Radu, Romania's acting ambassador to India, was kidnapped in New Delhi. Indian police think the kidnapping was in retaliation for the killing and arrest of Sikh gunmen who attacked India's ambassador in Romania six weeks ago.

S Africa strike plan
The African National Congress and South Africa's main trade unions announced plans for a general strike on November 4 and 5 to protest against the new value added tax.

Arab homes occupied
Israeli police evicted members of an ultra-conservative settlers' group who occupied Arab homes in Jerusalem, but halted when four right-wing parliamentarians refused to move. State Radio said the settlers had the approval of Ariel Sharon, the hardline government minister responsible for implementing settlement policy.

Senate probe
Judge Clarence Thomas will appear before a US Senate committee tomorrow to try to clear his name of sexual harassment allegations which are blocking his confirmation as a Supreme Court judge. Page 4

Dublin retreats on pay
The Irish government said it was unable to meet a 3 per cent public sector pay rise due next January under a past agreed last year. Page 3

Soviet army
A majority of republics of the former Soviet Union have agreed in principle to keep a unified army, the Soviet Defence Ministry said. Page 2

Scientists jailed
A German chemist and two engineers were jailed in Mannheim, Germany, for helping build a poison gas factory at Rabta, Libya.

Stolen car centre
Bulgaria has become an important centre in the international stolen cars trade, a Bulgarian customs official said. Cars stolen in Italy and Germany are driven to Bulgaria, then shipped to Arab countries.

Coins recalled
Switzerland is recalling gold coins issued to mark its 700th anniversary. They discoloured because of silver dust on the moulds used to stamp them.

Rugby World Cup
Scores in the Rugby Union World Cup: Australia 9 Western Samoa 3; Canada 19 Romania 11; Ireland 32 Japan 16; Scotland 51 Zimbabwe 12.

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IMF says Soviet Union needs to intensify reforms

By Peter Norman, Economics Correspondent, in Bangkok

THE International Monetary Fund has warned the Soviet Union that it must introduce comprehensive economic reforms urgently. Otherwise it faces a long recession with rising unemployment and growing shortages in the years ahead, it says.

In its latest twice-yearly World Economic Outlook, released yesterday, the IMF says the social and political upheavals in the Soviet Union, continued disintegration of supply links, and uncertainty about the future course of economic policies have led to a "significant" contraction of economic activity.

Recovery in the years ahead requires "the expeditious implementation of a comprehensive programme of macro-economic stabilisation and systemic reforms", the IMF says.

Continuing recent policies of piecemeal reforms against a background of widening fiscal imbalances and excess liquidity might result in a smaller contraction of output in the short run. But the IMF warns that such an approach would eventually lead to a long recession, with rising unemployment and greater shortages.

The economic crisis in the Soviet Union - which was granted associate membership of the IMF at the weekend - is set to dominate this year's annual meetings of the Fund and World Bank. These began in Bangkok with meetings of finance ministers and central bank governors of the Group of Seven leading industrial countries at the end of this week.

However, one of the problems facing the international financial community is that nobody has a clear idea of what is happening to the economy in the Soviet Union and its republics.

Mr Michael Mussa, the IMF's chief economist, admitted yesterday that the Fund had no plausible basis to make a forecast for economic development in the Soviet Union this year and next. In its outlook, the IMF has categorised the

Soviet Union as a developing country together with the former communist countries of eastern Europe.

In projections that it admits are tenuous, the IMF forecasts that output in the Soviet Union and eastern Europe together will fall by 10.6 per cent this year and 3.9 per cent in 1992. By next year, however, the IMF hopes that eastern Europe will have started growing again while the Soviet Union continues its economic decline.

The IMF said it had become clear that the transformation of eastern Europe and the Soviet Union to market-oriented economic systems based mainly on private enterprise will be lengthy and difficult. The adjustment costs associated with the economic change may be "considerably larger" than first expected.

Output has fallen sharply: the IMF estimates the cumulative

IMF background, Page 6
Yeltsin returns, Page 2

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Economic Viewpoint: Britain's drift to a European currency

The UK joined the European exchange rate mechanism against Margaret Thatcher's inclinations. The decision will determine British monetary policy in a way still not generally understood.

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STERLING		DOLLAR		STOCK INDICES	
New York close:	\$1.72 (1.703)	New York close:	DM1.69 (1.70375)	FT-100	2,584.1 (-15.4)
London:	\$1.717 (1.7145)	Frankfurt:	FF5.7545 (5.804)	FT Ordinary:	1,575.7 (-15.9)
Paris:	FF9.585 (9.5875)	London:	Y129.85 (130.325)	FT-A All-Share:	1,247.1 (-0.6%)
Swiss:	SFR2.54 (2.545)	London:	DM1.891 (1.895)	FT-A World Index:	145.04 (-0.3)
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Long Bond:	102.4 (103.3)	London:	Y129.85 (130.325)	FT-A Dividend:	2,548.33 (-17.44)
yield: 7.904% (7.822)		London:	DM1.891 (1.895)	FT-A Dividend:	2,548.33 (-17.44)

EUROPEAN NEWS

Russian leader to confront government plagued by resignations and infighting

Yeltsin returns to domestic turmoil

By Leyla Boulton in Moscow

MR Boris Yeltsin, Russian president, is expected to return to Moscow today to confront internecine warfare within his government, less than two months after it celebrated the defeat of a coup attempt by central authorities.

In the last 48 hours Mr Igor Gavrilov, a deputy prime minister, has resigned and Mr Yevgeny Saburov, the economics minister, has threatened to quit.

Both are complaining the present Russian government, which has been without a prime minister since the resignation of Mr Ivan Silayev last week, has preferred political infighting to tackling the economic crisis.

"What we need is a new government which can do something, however small, for the economy, instead of just chattering," said Mr Ivan

THE BBC World Service - which until a few years ago was jammed in the Soviet Union - signed yesterday an agreement to broadcast two 30-minute programmes each week on Radio Russia, writes Neil Buckley in Moscow.

The World Service, believed to have 13m regular listeners in the former Soviet Union, is the first western broadcaster to make such a deal with a Soviet network. The BBC will offer work experience with the World Service in London to one Radio Russia staff member every six months.

Materov, the deputy economics minister. "We have already lost the opportunity we had at the end of August to take unpopular measures needed to sort out the economy."

Mr Yeltsin, who is due to address the Russian parliament tomorrow after recuperating from heart trouble, has two key questions to answer: will he go along with the economic union treaty initiated by Mr Saburov, and can he provide a new prime min-

ister and government capable of action.

Vice-President Alexander Rutskoi, a former air force pilot who favours strong government, says the country is sliding into anarchy. But he has not helped matters by calling the economic union agreement with other republics an act of "banditry".

The treaty sparked the present dispute, with several ministers, including Mr Oleg Lobov, acting prime min-

ister, denouncing it as a betrayal of Russian economic interests.

Yet the government has done little to defend these interests.

With nascent Russian democratic structures still dependent on the authority of one man, Mr Yeltsin must bear some of the blame for the present crisis by failing to make his position clear.

In the first sign that popular goodwill may be running thin, Russian trade unions threatened yesterday to stage a one-hour warning strike on November 13.

The Tass news agency said the Federation of Independent Russian Trade Unions was demanding wage indexation, privatisation which did not harm working people, and the publication of a convincing and clear government plan to tackle the economic crisis.



Boris Yeltsin: takes some blame

EC warned on joint political union initiatives

By Andrew Hill in Strasbourg and Quentin Peel in Bonn

JOINT initiatives on political union by the large member states could delay agreement on a treaty at the Maastricht summit of EC leaders, the Dutch presidency warned yesterday.

Mr Piet Dankert, Dutch minister of European affairs, told the European parliament that separate Anglo-Italian and Franco-German plans for a common EC defence policy could clutter an already busy timetable.

He added: "The large member states are trying to put their own stamp on the inter-governmental conference [on political union]. I know this is not uncommon in the Europe of the 12 but it's up to us to make sure that this sort of initiative doesn't lead to us missing the deadline of the Maastricht summit [in December]."

The Dutch are still upset that Germany and France used last weekend's meeting of foreign ministers to invite like-minded countries to a meeting in Paris tomorrow on defence policy.

However, any suggestion that they are trying to plot outside the confines of the 12-nation EC negotiations was denied in Bonn.

German officials said the Paris meeting would aim to iron out differences between the two countries and co-ordinate a common strategy on the two most contentious issues of European political union - a common external and security policy, and extension of the European parliament's powers.

"In our eyes, this meeting on Friday was always purely bilateral," a German Foreign Ministry spokesman said. "There are numerous German-French

bilateral meetings. I don't see why there is uproar. Germany and France always consider themselves the motor of European unity."

However, he confirmed that Mr Francisco Fernández Ordóñez, Spanish foreign minister, who was scheduled to be in Paris on the same day, had expressed an interest in taking part. "This doesn't change anything in the core of the matter," the spokesman said.

German officials say there is a broad consensus between Bonn and Paris on the question of a common European external and security policy, and on the need to move towards more majority voting on external policy implementation - a view which Britain, in particular, strongly opposes.

The question which still divides France and Germany is on the extent of additional powers for the European parliament, which may prove the principal issue on Friday's agenda.

The Dutch presidency is itself under pressure to produce revised proposals on political union, after its radical treaty draft was knocked down by other member states last week.

The European parliament yesterday backed a resolution giving a unified Germany 13 more seats. Some member states, notably France, may block such an increase during talks on the political union treaty unless they win German concessions on other changes.

To take effect, the resolution must have the backing of all 12 member states, as it would involve an amendment to the EC treaty.

See Lombard

Majority of Soviet republics agree to have a unified army

A MAJORITY of republics of the former Soviet Union have agreed in principle to maintain a unified army, the Soviet Defence Ministry announced yesterday, writes Neil Buckley in Moscow and Chrystia Freeland in Kiev.

Representatives of 11 of the 15 republics have been meeting in Moscow for the second time to discuss the future shape of the Soviet army. Lt-Gen Valery Manilov, a Defence Ministry spokesman, said that after

considering a number of options, including an association of separate armies, most representatives had agreed to maintain a single army and command structure.

However, a notable absentee from the conference was the Ukraine.

Gen Manilov said he believed this was due to "technical difficulties" rather than a deliberate decision to stay away. But Ukrainian officials said that the Soviet central government was trying to thwart the repub-

lic's efforts to form its own army.

They said that on Friday the Soviet minister of defence, Marshal Yevgeny Shaposhnikov, sent a telegram insisting that the Ukrainian defence minister, Maj-Gen Konstantin Morozov, come to Moscow to discuss his government's efforts eventually to form its own army of between 250,000 and 350,000.

He refused, and so the Soviet chief-of-staff, Gen Vladimir Lobov, came to Kiev on Saturday with a letter urging

all the 1.5m soldiers stationed on Ukrainian territory to oppose the creation of a separate Ukrainian army.

Gen Manilov said that Russia, Belorussia and the five central Asian republics had agreed without condition to the unified army plan. Only Moldova had said it planned to set up its own independent army.

Azerbaijan had agreed on condition that the army would respect and defend republic borders and sovereignty, but Armenia said it was too

early to talk about unified armed forces before the details of any new political union had been established. The Georgian representative had not given a definitive response.

Gen Manilov said the continued existence of the Soviet army would not necessarily prevent republics from setting up their own small national guards. A permanent inter-republican committee on defence is to be set up under the auspices of the Soviet Defence Ministry.

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ACTION URGED ON REFUGEES

EC governments should crack down on illegal immigration and harmonise procedures on asylum to give legal immigrants and genuine refugees a better deal inside the Community, writes David Buchanan in Brussels.

This is the thrust of recommendations sent by the Commission to the Council of Ministers yesterday. The EC's executive has little legal competence over immigration, but there are moves in the political union talks to change this. Germany has called for a debate at the Maastricht summit in December on immigration and asylum.

The Commission says it is

ready to re-submit a 1976 proposal to impose fines on those, particularly in the building industry, who organise and exploit illegal immigrants. It also suggests the Twelve reach common agreements with third countries to allow workers into the EC on temporary contracts.

The Commission balances its call for a tougher regime for illegal immigrants with the suggestion that legal immigrants should have the same EC-wide rights as Community citizens in work, travel and even residence. The Commission notes that asylum applications rose from 169,000 in 1988 to 327,000 last year.

French MPs open immigrant debate

By William Dawkins in Paris

THE French parliament yesterday opened a three-day debate on plans to crack down on illegal immigrant workers and their employers, in what has become an issue of broad national and European concern.

The debate is a test of the Socialist government's immigration policy at a time when the opposition is seeking to take the initiative from both the government and the extreme-right National Front.

The draft law sets prison sentences and bigger fines for employers and clandestine workers, of which the government estimates there are up to 1m. Illegal working is seen by some as a big factor in France's rising unemployment, approaching 8m.

The main right-wing opposition parties say they will vote against the proposals, some of which, they claim, soften existing penalties. Many illegal workers would be exempt from so-called double penalties, where they are liable for prison sentences as well as expulsion.

The right will support the plan only if the double penal-

ties clause is taken out. But the proposals should win a majority despite this.

Mr Valéry Giscard d'Estaing, former president and head of the conservative UDF, attracted widespread criticism a fortnight ago for warning that France faced an immigrant invasion. Yet his standing as a person to whom French people feel close has risen seven points to 38 per cent, according to a recent poll.

Cresson backs Bérégovoy

By Ian Davidson in Paris

CALLS for a more expansionary economic policy in France, which have come from within the governing Socialist party as well as trade unions, have been quashed by Mrs Edith Cresson, the prime minister.

Mrs Cresson told the Paris-Match magazine she supported her finance minister, Mr Pierre Bérégovoy, and that there was no alternative to the economic policy he was pursuing. Rumours that he might be resigning were baseless, she added.

Mr Bérégovoy has repeatedly rejected calls for faster economic growth and an easier budget policy as a way to fight rising unemployment. "I shall not be the man of devaluation," he has said. "There are no magic recipes for unemployment."

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EUROPEAN NEWS

Yugoslav ceasefire will attempt to set up daily meetings between main protagonists

Confidence seen as key to peace

By Judy Dempsey in Zagreb

THE latest European Community-brokered ceasefire between the Croatian government and the Yugoslav federal army attempts to achieve what other ceasefires have failed to address: the establishment of confidence-building measures through daily meetings between the protagonists.

However, EC monitors and western diplomats have no illusions about the limitations of the ceasefire and the prospects of it holding.

"It is the best so far," said one monitor. "But we are only tacking the tip of the iceberg. The road ahead will be very, very long. There is no guarantee this one will hold."

But all sides must keep talking. "The threat of sanctions is now an important factor."

In Croatia, President Franjo Tudjman will find it difficult to sell the terms of the ceasefire to the increasingly vocal nationalist wing of the ruling Croatian Democratic Union (HDZ).

Not only does the ceasefire fail to stipulate that the Serb-dominated federal army leave the Croatian republic altogether. It also fails to extend the ceasefire to Slavonia, in eastern Croatia, which has taken the brunt of the fighting and which is now under the control of, or besieged by, the federal army and Serb paramilitary units.

This ceasefire, for the

moment, applies only to the Borongaj barracks in Zagreb, as well as the Adriatic coast and its hinterland.

Moreover, the text states that when federal army units and Croatian forces withdraw from the Adriatic coast and its hinterland, and when the

blockade of the Borongaj barracks in Zagreb is lifted, the federal army can leave "with their means of transport, technical material, weapons intact, military equipment and other mobile military property." This is due to be implemented by Saturday evening.



The EC intends to try to consolidate the ceasefire it brokered in Zagreb early yesterday morning, and to retrieve the main threads of the political agreement reached last Friday.

This offered independence to all Yugoslav republics which accept the terms of the EC's mediation.

Croatian national guardsmen stationed outside the Borongaj barracks yesterday were angry about the terms of the agreement.

"We will have to comply and lift the blockade. But we know the federal army will move their equipment to Vukovar and to Vinkovci [in eastern Croatia] and dig in," said Commander Rajko Bukhin. "This is a bad agreement."

Croatian officials agreed to the ceasefire because they are desperately keen to rid Zagreb - and the Adriatic coast, particularly the regions around Dubrovnik and Split - of federal army units.

"Psychologically, it is crucial that these two regions be free of the federal army," said one Croatian official. "We do not want the guts of Zagreb or Dubrovnik to be bombed. We have seen that the army can strike at Zagreb at any time."

He added the future status of the large Marshal Tito barracks in the capital remained uncertain. "We will have to negotiate this very soon," he said.

For the army's part, western military attaches believe that it agreed, at least on paper, to withdraw from one of the capital's barracks, as well as the coast, for tactical reasons. Diplomats believe the army cannot continue to consolidate its position in these regions, and at the same time hold on to the swathe of territory in Slavonia, Krapina, in the south-west of the republic, and the territory around Karlovac, south of Zagreb.

"The federal army is acting on the orders of the Serbian leadership," said one western diplomat. "The army has problems with recruiting, fuel and supplies. They are now looking towards the future. Serbia will tighten its grip in Slavonia, and the southern part of Croatia as part of its plan for carving a Greater Serbia out of Croatia."

This Serbian-inspired strategy, coupled with the latest ceasefire, will particularly anger the Croatian military leadership in Slavonia. It is reported that Mr Vladimir Seks, head of Croatian military and political operations in Slavonia's capital Osijek, and a sharp critic of Mr Tudjman, will demand more weapons to beat back the federal army.

"The greatest problem facing the Croatian government in the implementation of this ceasefire is the internal divisions in the HDZ," said one



A Yugoslav reservist checks a house gutted by fire

Croatian parliamentary deputy.

"The Croats have been humiliated by an army which we now regard as an occupying Serbian-controlled force working at the behest of Mr Slobodan Milosevic [the president of Serbia]," he added.

"If all sides keep talking, maybe this ceasefire can last. But I am pessimistic. It does not go far enough for Croatia."

Bulgaria's democrats rally for fresh push against old guard

Socialists could lose their majority in Sunday's elections, Kerin Hope writes

THE self-assured men drinking coffee at the headquarters of the Bulgarian Socialist Party (the renamed communists) seem to make a point of ignoring the harassed young campaign workers nearby. But if the BSP loses its parliamentary majority in Sunday's election, as seems likely, their comfortable premises will be confiscated.

After their victory in the previous election in June 1990, the Socialists clung unashamedly to the privileges they held under Mr Todor Zhivkov, the former communist party leader overthrown almost two years ago in a bloodless politburo coup.

The BSP was forced by a wave of strikes and demonstrations last winter to form a coalition government with the main opposition group, the

Union of Democratic Forces UDF, but it still managed to water down and, in some cases, block legislation crucial for the country's transition to a market economy. The UDF, a loose alliance of 29 political groups, has split into four factions. But all agree that if democracy is to take root, the communist nomenklatura must be removed from jobs in industry and the bureaucracy, and communist party property handed over to a new administration.

The UDF split, coming just as an election victory over the socialists seemed within its grasp, left opposition supporters angry and confused, especially since personal, rather

than ideological, differences among its politically inexperienced leaders appeared to be responsible.

The BSP, which won the last election with the votes of conservative villagers, is unlikely to account for more than 30 per cent this time, though that could still make it the largest single party in the 240-seat parliament. The Socialists remind voters of how living standards have fallen since leading UDF members, who took the major economic portfolios in the coalition government, launched a rigorous economic programme in February with IMF approval.

The socialists' campaign tactics

include making cut-price coffee and cooking oil available to supporters. Discontent is sharpest over price liberalisation, which ended the severe shortages of food and other basic goods last winter but brought price rises of up to 200 per cent. The only queues in Sofia are long lines of cars waiting at petrol stations.

Interest rates were raised above 50 per cent in an effort to contain inflation. Industrial production has slumped, while delays over privatisation of co-operative landholdings will mean a further decline in farm output. Unemployment is now nearly 10 per cent. Wages have risen in the past year but have failed to

keep pace with prices.

Bulgaria has embraced a tough economic programme in a way that marks it out from its Balkan neighbours. The reward for acceptance of this is a World Bank loan of \$350m (£143.8m) to cover essential imports and the promise of another \$800m from the Group of 24 western industrialised countries. The World Bank loan is coming in two tranches; the second depends on the government's progress with reform.

The most popular faction in the UDF is the Radicals group headed by Mr Philip Dimitrov. His platform is for continued commitment to economic restructuring, including pri-

vatization of industry and services, and improved measures to encourage foreign investment. The Radicals could win over 25 per cent of the vote, giving them a chance of being asked to put together another coalition government.

Further co-operation with the Socialists is ruled out, while Mr Dimitrov would probably prefer to avoid joining again with his UDF rivals. Instead, he could approach the United Agrarians, a new alliance under Mr Tsanko Barev.

The UDF Radicals are prepared to co-operate with the Movement for Rights and Freedoms, the ethnic Turkish party expected to win the votes of the Moslem minority making up 15 per cent of Bulgaria's 8m population.

Dublin reneges on union pay agreement

By Tim Coone in Dublin

THE IRISH government told union leaders and employers yesterday it was unable to meet a 3 per cent public sector pay rise due in January next year and agreed in 1990 under a tripartite programme of co-operation.

The announcement by Mr Charles Haughey, the prime minister, may end a year of peaceful industrial relations under the Programme for Economic and Social Progress. The programme "has to go back to the drawing board", the premier said.

Mr Haughey also said yesterday that no tax concessions would be made in what is expected to be a tough 1992 budget.

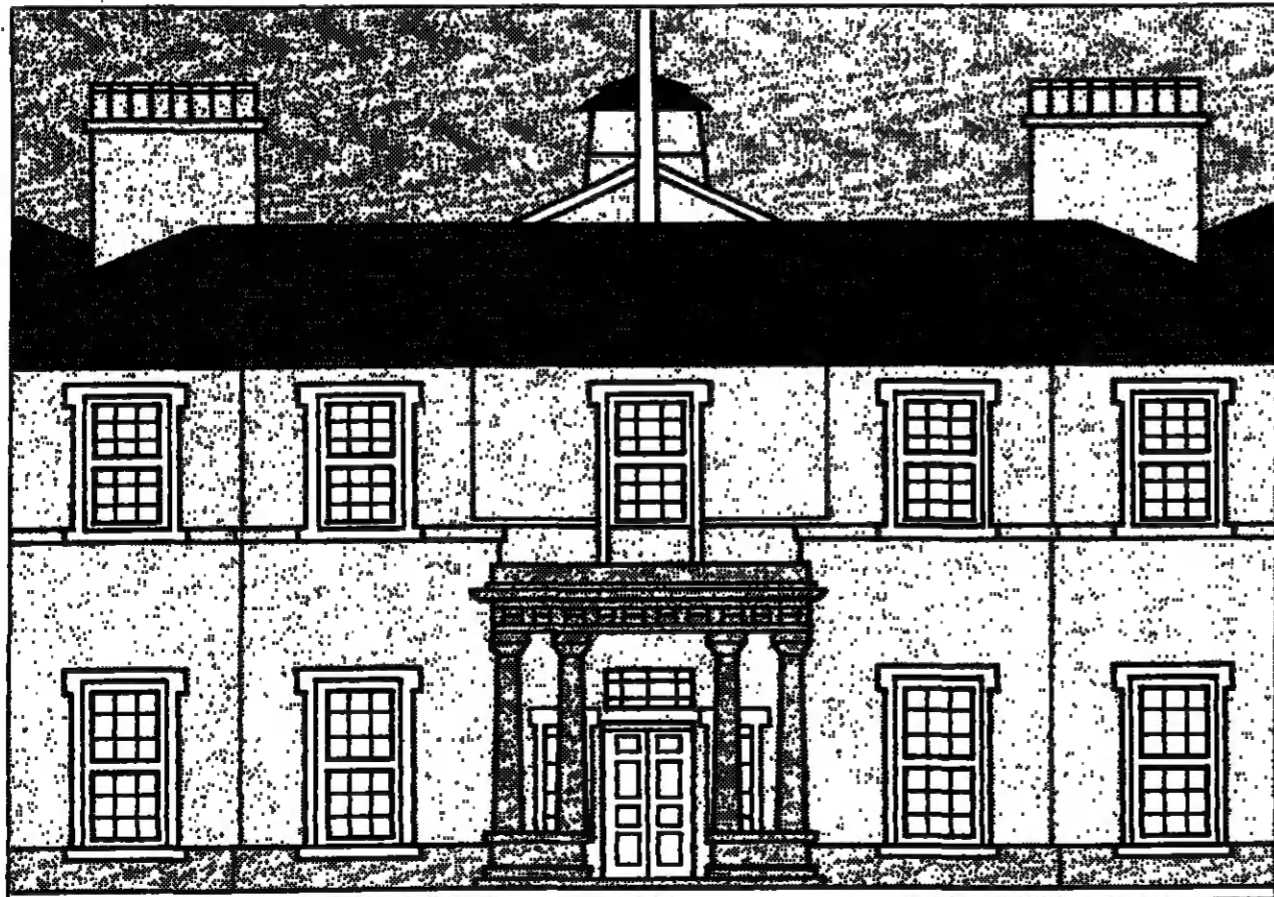
The tripartite programme is a three-year framework agreement designed to prevent a wages free-for-all, in return for government commitments to tackle unemployment and to draw up a long-term development plan. Phased pay awards, contingent on certain growth targets, were built into the programme.

Latest Central Bank figures, however, forecast a mere 0.5 per cent growth rate in gross national product (GNP) this year, with only modest improvement foreseen next year. As a result Mr Haughey said the proposed 1992 pay award could not be met.

Public sector trade union leaders said yesterday they were unwilling to renegotiate the 1992 award. Mr John O'Dowd, secretary-general of the CPSU, the largest public sector union, said it was too early to say whether the union's position heralded a "winter of discontent" in Ireland. But he added: "Our members are not prepared to give up the little they have gained."

The trade unions want a greater share of the tax burden to be borne by industry. The latest seasonally-adjusted unemployment figures show a 16.6 per cent rise over the past 12 months, from 235,800 to 268,500.

Ireland has the highest unemployment rate in the EC, at nearly 20 per cent of the workforce.



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FT10-10

INTERNATIONAL NEWS

Mubarak meets Gadafi in drive for peace

By Tony Walker in Cairo

PRESIDENT Hosni Mubarak welcomed Colonel Muammar Gaddafi to Cairo yesterday as part of Egypt's continuing efforts to placate the fiery Libyan leader amid delicate negotiations on the convening of a Middle East peace conference.

Egypt is anxious to deflect Col Gaddafi from actions and statements that might jeopardise preparations for the peace summit. Libya is a sponsor of Palestinian Liberation Organisation militants opposed to Palestinian participation.

Talks between the Egyptian and Libyan leaders coincide with a flurry of Arab diplomatic activity on the eve of the return to the region of Mr James Baker, US secretary of state.

Mr Hafez al-Assad, Syria's president, is due in Cairo at the weekend to discuss a possible meeting of four Arab "front line" states and the PLO to coordinate positions before the proposed peace conference.

Mr Yasir Arafat, the PLO leader, is pressing for such a meeting to be hosted by Syria and attended by representatives of Jordan, Lebanon, Egypt and the PLO. Mr Arafat himself has been ostracised by many Arab states, including Egypt, over his support for

Iraq in the Gulf War.

Mr Mubarak this week received a high-level Palestinian delegation in Cairo to discuss preparations for the US-Soviet sponsored peace conference. It was the Egyptian leader's first formal public meeting with PLO officials since the Gulf War.

Mr Gaddafi, who is invited to the wedding today of one of Mr Mubarak's sons, vowed he would never set foot in Cairo while the Israeli flag flew in the Egyptian capital following Egypt's 1979 peace treaty with Israel. The Libyan leader, however, attended an emergency Arab League summit in Cairo in August last year. He had crossed the border from Libya into Egypt in October, 1989, for the first time in 18 years.

Libya and Egypt fought a brief border conflict in 1977 after Mr Gaddafi and the late president Anwar Sadat fell out over the Egyptian leader's peace negotiations with Israel.

Mr Sadat likened the Libyan leader to a mad man and a clown. Mr Mubarak has described him as unstable but since Egypt's re-admission to the Arab League in 1989, has tried to develop a close working relationship with his unpredictable neighbour.



Unpredictable Gaddafi (left) is to hold talks with Mubarak (right) on convening a Middle East peace conference



Dock reforms in Australia back on track

Optimism is growing that the end may be in sight for the country's byzantine dock labour system, reports Kevin Brown

NO ONE is celebrating yet, but reform of Australia's byzantine dock labour system appears to be back on track, only a few months after it seemed to be poised to collapse.

Against all expectations, the government-appointed Waterfront Industry Reform Authority (WIRA) says it will probably achieve its interim target of removing 1,800 dockers from the workforce by October 31, the end of the second year of a reform programme launched in 1989.

"We are just short of the total at the moment, but we have agreements in the pipeline with stevedores in Sydney and Melbourne which we hope will be signed over the next couple of weeks, and that would take us over 1,800," says Mr Barry Velinagel, the WIRA secretary.

The mood of optimism contrasts sharply with the suspicion and hostility which has dogged the industry since the reform process was launched by Mr Bob Hawke's Labor government in 1989.

The government acted after an inquiry found that dockside productivity was only just over half the average at ports with which Australia trades. It put the cost of excessive labour and delays at A\$200m (\$286m) a year. Among other benefits, dockers were guaranteed a job for life, paid for travelling to work, and paid for being available to work even in ports where there was no work to do.

Mindful of the failure of 11 previous attempts at reform since the second world war, the government was careful to win support from the Association of Employers of Waterfront Labour and the Waterside Workers Federation, the monopoly union.

The two sides agreed to make 3,000 older workers redundant over three years, offset by the recruitment of 1,000 younger workers.

The agreement also allowed company-level bargaining between the union and individual employers, opening the way for productivity bonuses and incentives.

However, there was little initial progress because of the mutual antagonism of employers and dockers. The distrust exploded in May, when both sides threatened to pull out of the process after 15 per cent higher than in New Zealand and 30 per cent above the US.

Senator Bob Collins, the shipping minister, says there is "cut-throat competition between the companies," but admits the government hopes new entrants will be attracted by the labour market reforms.

"People should not believe for a minute that the current waterfront reform programme is going to finish when the formal timetable has been achieved," he says.

"Regrettably, this is the first real attempt to achieve change in this industry in half a century. It has got to be made to stick."

CONTAINER PORTS	
Port	Units
Philadelphia	32.7
Yokohama	26.9
Zeebrugge	26.3
Halifax	26.1
San Francisco	22.3
Singapore	22.3
Los Angeles	21.8
Hamburg	21.3
Hong Kong	21.1
Auckland	20.5
Tilbury	17.3
Ozaka	16.9
Australia*	14.46

*Throughput per crane hour (200 equivalent units) First half 1991. *Average of Sydney, Melbourne, Brisbane, Adelaide, Fremantle

Source: WIRA

to between 18 and 20 m hour by March next year.

That would put Australian ports in the same league as Tilbury, Auckland and Osaka, and not far behind Los Angeles, San Francisco and Hamburg.

The benefits are also flowing through at company level. Mr Richard Setchell, managing director of Connaught, a subsidiary of Britain's P&O shipping group, says productivity is up by between 70 and 80 per cent since the company's container terminal in Sydney.

However, Mr Setchell remains a critic of the unions, which he claims are delaying further agreements with other Connaught subsidiaries in an attempt to force concessions on manning levels.

The complaint is echoed by Mr Colin Coventry, chairman of the waterfront employers' association, who says overworking companies have paid A\$56m since the reform process began to dockers for whom there is no work.

These claims are rejected as a bargaining ploy by Mr Jon Linehan, the Australian Council of Trade Unions (ACTU) officer responsible for the docks, who says continuing underemployment is caused by an economic slowdown.

The union movement is pressing the government to take reform a stage further by increasing competition in stevedoring, which is dominated by three companies.

The companies counter that container prices have come down by around 25 per cent over the last two years. However, shippers say prices are still around 15 per cent higher than in New Zealand and 30 per cent above the US.

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Marriage of convenience for old Arab foes

Max Rodenbeck reports on the budding new relationship between Cairo and Tripoli

RELATED BY blood but long divided by politics, Bedouin Arabs on the Libyan-Egyptian border are celebrating their governments' growing rapprochement in traditional fashion.

In the two months since travel restrictions between the North African neighbours were dropped, the number of cross-national marriages has swelled to as many as 50 a day.

The radical regime of Col Muammar Gaddafi and the western government of President Hosni Mubarak of Egypt, may seem strange bedfellows.

The US gives Egypt \$2bn in aid every year, but in 1986 its warplanes bombed Tripoli. Egypt sent troops last year to liberate Kuwait. Libya equivocated, and ended by condemning western intervention in the Gulf. When Col Gaddafi described the headline coup in the Soviet Union as "magnificent", the outspokenly pro-Gorbachev President Mubarak fired off a chilling letter to his basty Libyan counterpart. But

since the two countries restored diplomatic relations in 1989, after a 13-year break, Egypt and Libya have increasingly profited from agreeing to disagree. At President Mubarak's order, most border controls were lifted on August 8. The result has been a flood of traffic, and on some days more than 10,000 people make the border crossing. Col Gaddafi's visit to Cairo yesterday was another sign of the importance of the new relationship.

Egyptian exports to Libya amounted to \$75m in 1990. In the first four months of this year alone they exceeded \$90m. Since the relaxation of controls, trade, much of it in the form of statistic-proof handbags, has multiplied.

In economic terms, Egypt has benefited most. Oil-rich Libya has plans to invest up to \$200m in Egyptian industry, and is financing a \$100m rail link. A customs agreement has helped Egyptian household goods to find a lucrative mar-

ket next door. A flood of cheap steel from Libya's Misurata plant - estimated at some 4,000 tonnes a week - has kept prices low in the voracious Egyptian construction market.

Best of all, Libya's open border is draining Egypt's labour surplus.

Nearly 1m workers returned penniless from the Gulf war zone, after Iraq's invasion of Kuwait, losing Egypt an estimated \$1bn in annual remittances and adding to a labour pool already crowded by the entry of 600,000 job-seekers every year.

The Gulf monarchies have hired Egyptians to replace Yemenis and Palestinians, whose leaders were sympathetic towards Iraq, but Libya is closer and conditions for guest workers there are more comfortable than in the Gulf.

Moreover, Libya insists it is serious about plans to settle up to 1m Egyptian farm workers on land reclaimed by the Great

Man-Made River, the \$25bn project to turn Libyan deserts green, of which the first phase was opened recently with much fanfare.

The benefits are not all one way, however. Egyptian companies are drilling for oil in Libya's Sirte field and a recent visit to Tripoli by a team of top Egyptian oilmen suggested that closer co-operation may be at hand - a significant development, considering that Libya's petroleum output has suffered from a US-led technology boycott.

Egypt has also tempted Libya with political rewards. Gaddafi is isolated and would like not to be, explains a western diplomat in Cairo. "He thinks that if he establishes closer relations, Egypt can help to rehabilitate him."

So far, there are few signs of this happening. Britain and the US, in particular, remain convinced that Libya harbours terrorists, continues to manufacture chemical weapons' components at the German-

supplied Rahta plant, and meddles in other countries' affairs. Egyptians, too, are wary. "Colonel Gaddafi drove a bulldozer into his border-post with Egypt," wrote a columnist in a Cairo daily. "So by the same logic we ask him to drive a bulldozer into the office that prevents the circulation of Egyptian newspapers and books and magazines in Libya."

The hidden tensions of the relationship took dramatic form during the recent celebration of the Man-Made River opening. After President Mubarak was jostled by an enthusiastic crowd, his bodyguards exchanged blows with Libyan security men.

President Mubarak, mindful of his sceptical Egyptian and western audiences, has sought to play down the Colonel's radical rhetoric and his off-repeated suggestions that Arab countries should merge. "Unity cannot be imposed from above, but must be achieved through the interaction of the people's interests," Mr Mubarak said.

Baker tries new Mideast peace tour

Mr James Baker, US secretary of state, may meet Mr Boris Fankin, Soviet foreign minister, in the Middle East, and is keeping open the option of sending invitations to a peace conference without full agreement on its terms, his spokeswoman said yesterday, Reuters reports from Washington.

Ms Margaret Tutwiler said Mr Baker would meet Palestinian negotiators Hani Ashrawi and Faisal al-Husseini in Washington today, to discuss efforts to bring Palestinians to a Mideast peace conference.

Mr Hussein, Mr Ashrawi and a third Palestinian, Mr Zakaria al-Agha, left Jerusalem yesterday, headed for Washington. Mr Baker, hoping to finish plans for the conference that would lead to Arab-Israeli negotiations, will leave on Saturday on his eighth trip to the region. Mr Baker will spend Sunday night in Cairo, Monday in Amman, Tuesday in Damascus and Wednesday in Jerusalem.

Togo leaders appeal for foreign army help

By Stephanie Gray and William Keating

TOGO'S interim government has appealed for foreign military aid to help ensure transition to "real and total" democracy, after an attempt by troops loyal to former ruler Gen Gnassingbe Eyadema to kidnap the prime minister.

In the past week, there have been three coup attempts. Up to eight pro-democracy supporters were killed in street clashes in Lomé after the

attempted abduction. Fresh violence along tribal lines erupted last night in a suburb inhabited mainly by members of Gen Eyadema's Kabye tribe.

France was not mentioned but, as the former colonial power, the appeal was clearly aimed at it. The French government said yesterday no decision had been taken. It had noted the appeal from Mr

Kokou Koffigoh, the prime minister, and was following developments "extremely closely".

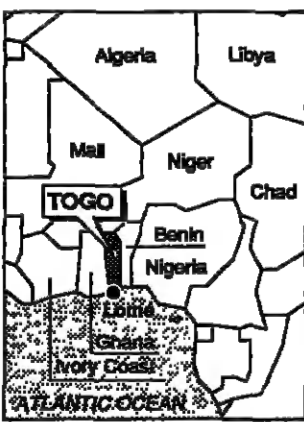
France has intervened in Togo several times in support of Gen Eyadema who, after 24 years in power, was stripped of most of his privileges in August by a pro-democracy national conference which appointed Mr Koffigoh. On these occasions, however,

the support was against threats from outside the country.

The army is believed still loyal to the general and is made up predominantly of members of the Kabye, his own ethnic group. On Tuesday night, Gen Eyadema broadcast a call for the soldiers to return to barracks, but no disciplinary measures have been announced and it is widely

believed he had helped foment the unrest.

Western diplomats say the French government was split last March over whom to support in presidential elections in Benin, which borders Togo. They suggest some French officials had argued that support for Gen Mathieu Kerekou, leader of Benin for 18 years, who lost the election, should be continued.



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FIRST PACIFIC

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ANNOUNCEMENT

SEMI-ANNUAL DIVIDEND FOR CONVERTIBLE CUMULATIVE REDEEMABLE PREFERENCE SHARES 2000

The Board of Directors of First Pacific Company Limited (the "Company") is pleased to announce the payment of the semi-annual dividend on the Company's Convertible Cumulative Redeemable Preference Shares 2000 (the "Preference Shares"), represented by International Depositary Receipts ("IDRs"), which entitle the holders thereof to receive a fixed cumulative preferential dividend of 7.25 per cent per annum payable in United States Dollars on 10th May and 10th November each year.

The distribution due on the Preference Shares, as of 10th November, 1991, will be calculated at 7.25 per cent per annum of the Issue Amount of the Preference Shares of US\$5,000 each amounting to US\$181.25 per share. If the full preferential dividend is not paid on the due date, the balance of such dividend will be carried forward for payment on a subsequent payment date.

It is expected that dividend cheques, or payment by transfer to a US dollar account maintained by an IDR holder with a bank in New York, New York, U.S.A., will be despatched, or made, as the case may be, to IDR holders on 9th November, 1991 subject to timely presentation of the relevant coupons. Such coupons should be surrendered at least two clear business days (i.e., by 6th November, 1991) prior to the dividend payment date either at the office of Chase Manhattan Bank Luxembourg, S.A., ad Depositary, or at the offices of the Paying Agents named in the coupons.

By Order of the Board
Ronald A. Brown
Secretary

10th October 1991
Hong Kong

Airport accord 'should bring HK, China closer'

By Angus Foster in Hong Kong

SIR David Wilson, governor of Hong Kong, said yesterday agreement on the colony's new airport should lead to an "effective partnership" whereby Hong Kong and China could consult and co-operate more closely.

"Sense and goodwill" could solve problems in the lead-up to the colony's return to Chinese sovereignty in 1997, Sir David was giving his annual policy address to the Legislative Council, now expected to become more vocal after last month's first partial direct elections. He urged newly-elected members to work with the government, and said the administration would also have to adapt.

His speech was not welcomed by the United Democrats of Hong Kong, the de facto opposition party which holds 14 of the Council's 60 seats. Mr Martin Lee, chairman, said it "failed to meet the

expectations of the Hong Kong people".

Sir David was vague on the issue of more democracy for Hong Kong and said the Council should build up further experience before Britain went back to China to ask for more democratically-elected seats for the 1996 elections.

He angered labour groups by claiming Hong Kong's high inflation rate, at over 12.5 per cent, was mainly due to a labour shortage. The labour importation scheme should be expanded as work gets under way on the new airport, he added. This presages a noisy debate between the government and the Democrats, who oppose labour importation. A 4 per cent economic growth is expected this year, against 2.4 per cent last, Sir David said.

He spoke little about the Vietnamese boat people, reflecting the sensitivity of talks between Britain, Vietnam and the US.

Zaire faces new obstacle

EFFORTS to form a crisis government in Zaire hit a new obstacle yesterday when prime minister-designate Etienne Tshisekedi said President Mobutu Sese Seko was demanding half the cabinet posts, Reuters from Kinshasa.

Mr Tshisekedi had been hoping to name a government tomorrow to end two weeks of tension in the central African country, devastated two weeks ago by riots in which 117 people were killed.

But after a second meeting with Mr Mobutu he said he could not be prime minister under such circumstances. Mr Tshisekedi said Mr Mobutu's Popular Revolutionary Movement (PRM) party was not entitled to 50 per cent of seats in a government formed by the opposition "Sacred Union" coalition.

"I cannot be prime minister of a new government with 50 per cent for the PRM and 50 per cent for the Sacred Union," he said.

India puts its Westland helicopters up for sale

By David Housego in New Delhi

A CONTROVERSIAL British aid project came to a sorry end yesterday when the Indian government confirmed that it was seeking to sell through a global tender 18 Westland-30 helicopters it had acquired from Britain.

The helicopters have been grounded since February when employees of the state-owned Oil and Natural Gas Commission (ONGC) - a leading user of the craft - refused to fly in them fearing they were unsafe.

Of the original fleet of 21 Westlands acquired from Britain under an aid grant, two crashed and one made a hard landing.

Mr Madhavrao Scindia, the minister of civil aviation, told a press conference in Bombay that the Westland helicopters had been beset with problems from the beginning. Westland and Rolls-Royce - which supplied the engine - have said that the main fault was made-

quate maintenance by Pawan Hans, the Indian group that operated them.

Britain has still to give a response to India's request to sell them. Because they were funded by British aid, the Indian government is unable to hand them over to the armed forces - the obvious alternative customer.

The controversy over the Westland helicopter has resurfaced at an embarrassing time for Rolls-Royce which is pressing for a reversal of an apparent Indian government decision to drop the British group as the supplier of engines for four new Boeing 747-400s being acquired by Air India.

Mr Scindia was the minister who decided to call for fresh bids from the US groups General Electric and Pratt & Whitney after Air India ordered the order would go to Rolls-Royce.

Malaysian PM warns against democracy-linked loans

DE MAHAZHIR MOHAMMAD, Malaysia's prime minister, yesterday urged governments of industrialised countries against extending conditions for aid and World Bank loans, Stephen Fidler reports from Kuala Lumpur.

Dr Mahathir, opening the annual meeting of Commonwealth finance ministers in Kuala Lumpur, said extending conditions for aid and loans into areas such as a country's record on human rights or democracy could

end up hurting the people aid was designed to help.

He urged caution before "we twist arms in order to force democracy and all the other noble ideas and concepts down everyone's throats".

He told the meeting: "The World Bank is about to insist on new conditionalities for aid and loans. The Commonwealth should not just go along with the World Bank." Ministers "should appreciate the difficulties of

the weak, the recipients of aid and the debtors".

He added: "Do not just hold back aid because of alleged breaches of human rights or whatever. Donor and recipient and possibly a third party should study best how to continue to give aid but control the breaches of human rights."

Several finance ministers urged a rapid agreement among industrialised countries over the Trinidad terms: the

debt relief proposals for the poorest countries set out by Mr John Major when he was UK chancellor of the exchequer, at a meeting in Port of Spain, Trinidad, last year. There had been hopes that the London G7 summit would have resolved this in July.

Attempts to approve implementation of the proposal in the Paris Club last month also failed. British officials have expressed "disappointment" that the proposals have not yet been agreed.

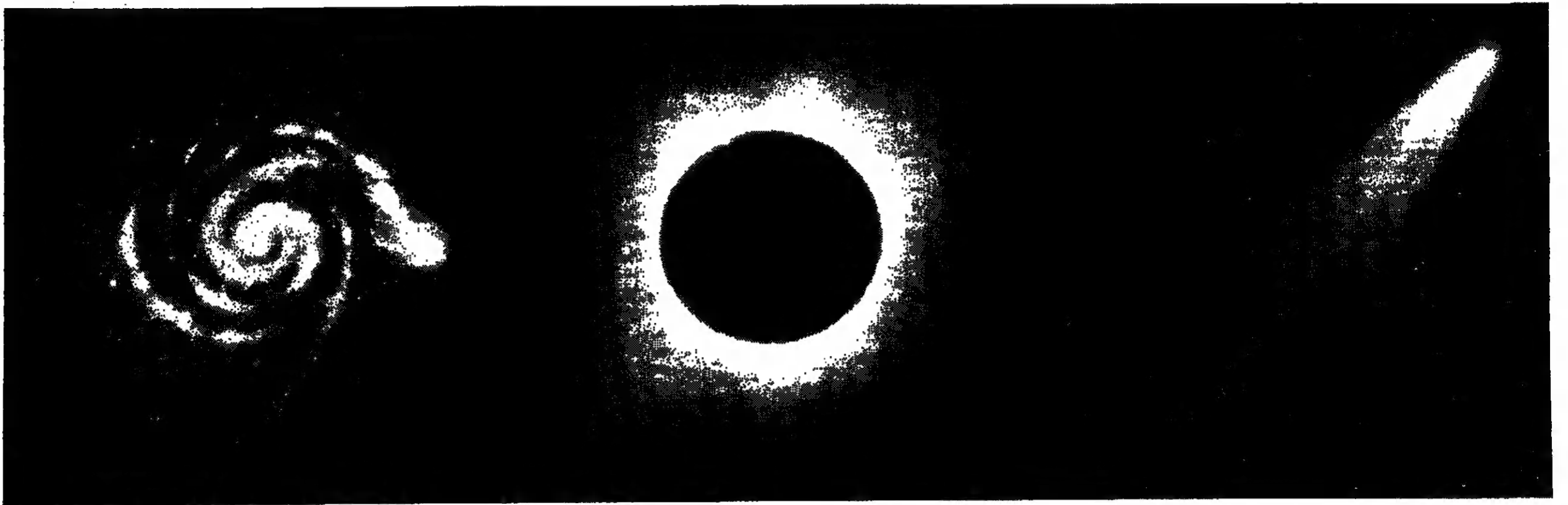
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AMERICAN NEWS

US lenders and borrowers are already showing more caution

Credit moves meet scepticism

By George Graham in Washington

PRESIDENT George Bush's efforts to encourage banks to lend by easing regulatory pressure have drawn a sceptical response from bankers and borrowers.

The package of measures announced this week is the latest step from an administration which has shown mounting anxiety in recent weeks over the slowness of the US economy's emergence from the recession.

But the attempt to relax the way regulators assess banks' property loan portfolios and to ease banks' access to capital appears a flimsy barrier against the greater caution shown by both borrowers and lenders.

The measures include:

- Lifting the ceiling on the amount of non-cumulative preferred stock which can be counted as Tier 1 capital for the prudential ratios imposed by the Bank for International Settlements (BIS). This will bring the US rules in line with other BIS members, and could slightly reduce the cost of capital for some banks.

● Guidelines aimed at encouraging banks to work with troubled borrowers and to make commercial property loans without fear of bank supervisors' retribution. These guidelines include urging supervisors to value property on its capacity to produce income rather than on depressed sale prices.

● A new process to allow banks who think supervisors have been too harsh to appeal directly to senior officials.

But the administration may be barking up the wrong tree. Although the growth of private debt has undoubtedly slowed, dropping to an annual rate of about 4% per cent in the first half of this year, compared with an average of over 10 per cent a year in the 1980s - evidence of a credit crunch is patchy.

Surveys by the National Federation of Independent Business show the difficulty of obtaining credit has changed little, concluding: "In short, no credit crunch, unless you deal in real estate or live in New England."

Mr Lyle Gramley, chief economist of the Mortgage Bankers Association, argues that not only are lenders more cautious, but borrowers, too, are unwilling to build up the levels of debt they accumulated in the 1980s. "There has been a sea-change in attitudes about both borrowing and lending," he says.

Nevertheless, some businesses have clearly had trouble finding credit.

Mr Patrick Gotscher, president of Corphelth, a small business in Fort Worth, Texas, complains that banks are unwilling to lend to service companies like his because they lack tangible assets as collateral.

"We as a company have had to live out of our cash flow. It is a safe way to grow, but it is a slow way, and we have had to watch business pass us by," he says.

But Mr Gotscher adds that the government's Small Business Administration, which is meant to provide loan guarantees for growing businesses, is perhaps even tighter than the

banks in assessing credit-worthiness.

To blame bank regulators for these credit problems, however, may simply be the easiest way of finding a scapegoat.

"The regulators are looking at balance sheets which will not support aggressive lending, so they are just doing their job," comments one congressional economist.

After focusing on income statements in the 1980s, he argues, banks are now paying closer attention to the quality of their balance sheets.

At the same time, asset values on these balance sheets have eroded, especially in the property sector, leading to what the New York Fed calls a "credit crunch."

What the administration is trying to achieve may be contained less in the content of the measures it is proposing than in a general attempt to boost business enthusiasm.

"What you want to try to do here is build confidence in the lending environment," said Treasury deputy secretary John Robson.

Haitians try to resolve differences

By Canale James

FACTIONS in Haiti's army tried to reconcile their differences yesterday as an interim president took office, replacing Mr Jean-Bertrand Aristide, who was toppled in a coup last week.

The army factions, which have disagreed on whether the ousted Mr Aristide might return, were trying to resolve their differences in the face of fears of a possible foreign military intervention in Haiti.

The split in the armed forces was demonstrated when one faction, opposed to the return of Mr Aristide, aborted a meeting between a mission from the Organisation of American States (OAS) and the junta led by General Raoul Cedras.

Despite the fears of the soldiers, the OAS is not yet considering immediate military intervention, as advocated by some members. It said its 34 members would impose economic sanctions.

The first telling sanction is likely to be a disruption of oil supplies by Venezuela, one of the first critics of the coup.

Castro in dilemma as communism crumbles

By Canale James

PRESIDENT Fidel Castro opens a special congress of the Cuban Communist party today amid doubts that his 32-year experiment in Caribbean socialism can survive.

Abandoned by his former patrons in Moscow and isolated in his own hemisphere, Mr Castro faces the worst economic crisis since he seized power. For the US, which has often dreamt of a Cuba without Castro, the elusive prize appears within reach.

Yet despite plenty of heated rhetoric - President George Bush calls the Cuban leader a relic and a Marxist renegade in every other foreign policy speech - the administration shows little appetite for giving the regime a final shove.

Last month, the US Treasury quietly lowered the legal limit of remittances to Cuba from \$500 to \$300 (\$172) in any three-month period; it also limited the amount of money which Americans can use for travel to Cuba. But official reaction to congressional demands to tighten the US economic embargo is ambivalent. The administration seems to be betting on the regime tumbling of its own weight.

"The administration is just sitting tight," says Dr Gillian Gunn of the Carnegie Institute in Washington. "If they put on the big squeeze, they will inflame Cuban nationalism. The Latin American countries have said so. The result is that they do not want to tighten up at all."

Thus, the US State Department does not expect very much of this week's special party congress, and does not expect any US policy adjustment. Since Mr Castro has declared that the single-party system and socialism are not open for debate, it is assumed that the most likely changes proposed by the congress will be modest alterations in the state-run economy.

These alterations might include relaxing rules on agricultural co-operatives - but not individual ownership; and fresh appeals for foreign investment, sweetened by offers to allow majority ownership of Cuban businesses. Some privatisation of the service sector is also likely.

The Cuban leader's dilemma

is that he needs to reform in order to preserve; but if he goes too far he risks unleashing the same revolutionary forces which toppled the communist regimes in eastern Europe in 1989.

What influence could the US bring to bear to secure a non-violent outcome?

In the absence of a lead from the administration, Congress has stepped into the policy vacuum. In addition to the usual bills seeking to tighten the embargo, Congressman Robert Torricelli, a New Jersey Democrat, is drafting a bill which

combines a mix of carrots and sticks aimed at weakening the regime.

The bill would tighten trade restrictions on the subsidiaries of US companies in third countries dealing with Cuba, and may make it illegal for countries which import sugar from Cuba to sell sugar to the US.

Yet the bill also exempts medicine and direct mail from the US embargo.

This is more imaginative than current US policy, which remains geared to Mr Bush's statement last May, on the 38th anniversary of Cuban independence, On Radio and TV Marti - the Florida-based stations beaming into Cuba - he promised a "significant improvement" in relations if Mr Castro held democratic elections under international supervision, freed political prisoners and ended support for outside insurgents.

Yet the economic squeeze still presents the Castro regime with its gravest threat. Low oil supplies have prompted Cuba to import huge numbers of Chinese bicycles, shortage of fuel has upset training exercises for the 180,000 Cuban armed forces and damaged morale in the ranks. Without an improvement in the economy, President Castro's days seem numbered - as are his options.

As one US official put it: "Castro is psychologically incapable of change. But exile would be tantamount to defeat and humiliation."

FT CONFERENCES

EUROPEAN POSTAL SERVICES: THE WAY AHEAD

London, 29 & 30 October

Proposals to open up postal services to competition, the EC's green paper and UK Government legislation will be reviewed by Edward Leigh, MP, Peter Wetherman, Yves Cousserand, Sir Bryan Nicholson and Ad Schoepkow. Free quality and standards in European services as well as opportunities for new services will be assessed.

LINER SHIPPING IN THE 90S

Amsterdam, 12 November

Subjects to be addressed include competition and the future of liner conferences, financing tomorrow's ships and the role of shipping in the distribution system. Contributors include Wim Rijk, Theo Oosthuis, Professor Henk Molenaar, Karl-Heinz Sager and Se Yong Park.

PROSPECTS FOR BULK SHIPPING

Amsterdam, 13 November

Prospects for bulk shipping together with quality management and safety of shipping will be addressed by Jack Hammer of Feenleys, Dr Jon Worsman, IMO and Jens Ulvest-Moe, Norwegian Shipowners' Association. Bulk shipping and grain will be reviewed by Steven McCoy, North American Grain Association.

WORLD ELECTRICITY

London, 14 & 15 November

This meeting will examine the challenges of increased competition, environmental pressures and future fuel sources. The conference will be chaired by Sir Donald Miller and Sir Michael Joughin, CBE. Contributors include: Nicholas Argyia, Dr Rolf Binsch, Alan Holt, Karl Yeager, Togo Mwila, Pierre Ledezier and Carl-Erik Nyquist.

THE THIRD FT PETROCHEMICALS CONFERENCE

London 19 & 20 November

The current trade outlook, the challenge of maintaining margins in a cyclical business, the impact of the economic downturn on petrochemicals in Europe, competition policy, processing economics and environmental issues are among the subjects to be discussed. Contributors include: Peter Voglender, Andrew Butler, Sir Dany Henderson, John Akht, Doug Campbell, Mohamed Al-Mady, Javier de la Peña, Simon de Brou and Hugo Finck.

HEALTH CARE - THE CHANGING UK MARKET

London, 2 & 3 December

This topical conference will debate changes in the provision and purchasing of health care and assess the impact of the NHS reforms on the private sector. Developments in medical insurance, the funding of long-term care and the value of employee health programmes will also be reviewed. The Rt Hon William Waldegrave, MP, Secretary of State for Health will be the keynote speaker.

All enquiries should be addressed to: Financial Times Conference Organisation, 125 Fenchurch Street, London EC3A 3DU. Tel: 071 925 2235 (24-hour answering service); Telex: 27347 FTCONF G; Fax: 071 925 2225.

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US judge will try to refute harassment charge

JUDGE Clarence Thomas will tomorrow seek to clear his name of the charges of sexual harassment which this week blocked his bid to win confirmation from the Senate as a Justice of the US Supreme Court, George Graham writes from Washington.

Mr Thomas and Professor Anita Hill, the former employee who made the charges, will appear before the Senate Judiciary Committee in new hearings after the legislative body decided to delay voting on Mr Thomas's nomination for a week.

The issue has stirred a bitter debate between those who believe the mostly male Senate had failed to take Professor Hill's charges seriously and supporters of Mr Thomas who complain of a smear campaign.

The stakes are high both for the Senate, which has felt a tide of anger from women voters over its handling of the issue, and for President George Bush, who risks seeing his

choice for the vacant Supreme Court seat torpedoed by the furor.

Mr Bush yesterday renewed his backing for Mr Thomas, offering "every bit of support we can muster".

"Judge Thomas is a man of honour and dignity. We believe in him and we believe his sworn statement yesterday denying allegations of misconduct of any kind," the White House said yesterday.

The Senate, meanwhile, faced the thorny task of hearing Professor Hill's allegations and Judge Thomas's rebuttals.

"This is not going to be an easy hearing to conduct," said Sen Joseph Biden, chairman of the Judiciary Committee, warning how difficult it was to ensure that hearings did not victimise the victim.

The charges have shifted public opinion about Mr Thomas's nomination, although he still appears to command widespread support in the country.



Professor Hill arrives at law school in Oklahoma escorted by two students

IMF WORLD ECONOMIC OUTLOOK

Cutting budget deficits 'vital to growth and high employment'

By Peter Norman, Economics Correspondent, in Bangkok

THE world's industrialised countries must reduce their budget deficits to pave the way for lasting growth and a sustained drop in unemployment in the 1990s, the International Monetary Fund says.

It also calls for faster progress in reducing trade barriers and describes the failure to conclude the Uruguay Round of multilateral trade negotiations as a "major setback".

In its latest twice-yearly World Economic Outlook, the IMF says it assumes the industrial nations will continue to exercise restraint in monetary policy - particularly necessary in Germany and Japan, where pressures on productive capacity, and excessive wage increases since 1988, have shifted the balance of payments into deficit in the case of eastern Germany, suggest a significant inflationary risk.

In countries such as the US and Britain, which are emerging from recession, the risk of an acceleration of prices appears small in the short run. But the IMF warns that the monetary authorities should "be prepared to tighten monetary conditions at an early stage, particularly if the expansion proves to be stronger than expected".

The IMF's call for lower budget deficits reflects concern that reconstruction in the Middle East after the Gulf war, German reunification and the transformation of eastern Europe and the Soviet Union to market-based economies will strain the existing global pool of savings. Its projections sug-

gest these new demands could amount to nearly \$100bn (£57.4bn) this year, which would be equivalent to 0.5 per cent of the combined gross national product of the industrialised countries, and run at an average annual rate of \$80bn between 1992 and 1996.

Without a commensurate rise in the availability of global savings, this increased demand could push interest rates up half a percentage point.

The IMF has focused on government consumption of savings because it believes the private savings rate will decline over the next five years. It also estimates that the industrial countries will need to lift investment in relation to GNP by about one percentage point by 1992 to maintain last year's 2.75 per cent annual growth rate of the past decade.

The fund's calculations imply that full implementation of existing plans to reduce budget deficits is a minimum requirement to ensure that the increase in domestic investment needed to sustain growth can be financed.

In some countries - the IMF singles out the US, Germany, Italy and Canada - such an approach will involve considerable restraint on government spending. Although the Fund does not say so, governments will be faced with some tough political choices.

At one point the IMF suggests that some of the transfer payments associated with the integration of the Soviet Union and eastern Europe into the world economy could be

financed by reducing military expenditures, provided this was matched by large Soviet cuts. A 30 per cent cut in the \$460bn annual cost of military expenditure to the industrialised countries would imply budgetary savings of \$90bn a year. The abolition of farm support measures in the industrialised countries would cut government outlays by \$100bn. But these instances were given by way of example rather than policy advice.

Elsewhere, the IMF indulges in some straight talking to its member governments. It warns that the paucity of national savings is "the key policy issue" in the US. In the case of Germany, it says many of the subsidies to support investment in eastern Germany are potentially self-defeating, leading to a drain on the budget.

It tells the Italian government that its objective of reducing the central government deficit to 5.75 per cent of gross domestic product by 1994 from 10.74 per cent last year will involve a fiscal adjustment "that is considerably larger than assumed" because the official plan is based on highly optimistic growth projections.

Developing countries are also urged to boost their domestic savings and investment rates. The IMF calculates that those which have experienced problems in servicing their debt should increase domestic investment and savings rates by around 3 percentage points between 1991 and 1995.

But it admits that such an

increase would represent "an extraordinary effort" on the part of many of these countries.

Another preoccupation of the IMF is the inability of negotiators so far to bring the Uruguay Round of trade liberalisation talks to a successful conclusion.

It says increased access to export markets is "an essential condition" for the successful transformation of the east European economies. Conclusion of the round "could represent the most important single contribution of the industrialised countries to a favourable evolution of the world economy".

It also worries about structural problems in labour markets that have contributed to persistent high rates of unemployment in Europe. It tells governments to consider training and retraining programmes, improved job placement services, reductions in minimum wages and reform of unemployment insurance systems.

The report reflects the IMF's growing confidence that prudent, market-oriented policies, with a strong counter-inflationary commitment, bring rewards for countries. At a press conference yesterday, Mr Michael Mussa, the IMF's chief economist, said there was "clear evidence" that the IMF's policies were beginning to bear fruit in Latin America.

In its forecasts for the world economy, which were widely leaked last week, the IMF sees growth of 4.75 per cent next

WORLD ECONOMIC OUTLOOK HIGHLIGHTS

	1990	1991	1992
Output*			
World	2.2	0.9	2.8
Industrial countries	2.6	1.5	2.8
Of which:			
US	1.0	-0.3	3.0
Japan	4.6	4.5	3.4
Germany (West)	4.5	3.1	2.0
UK	0.8	-1.8	2.4
Developing countries	1.0	-0.6	2.9
Of which:			
E. Europe and USSR	-3.6	-10.6	-3.9
E. Europe alone	-7.9	-12.0	-2.1
Africa	2.1	2.2	3.3
Asia	4.6	5.0	6.2
Middle East	0.7	-4.0	11.2
W. Hemisphere	-0.9	1.2	2.2
Consumer Prices*			
Industrial countries	4.9	4.5	3.8
Of which:			
US	5.4	4.5	4.0
Japan	3.1	3.4	2.7
Germany (West)	2.7	3.5	3.5
UK	9.5	5.9	3.9
Developing countries	91.0	58.7	22.8
World trade volume	4.3	0.6	5.0
Unemployment rates*			
Industrial countries	6.2	7.0	7.0
Of which:			
US	5.5	6.8	6.3
Japan	2.1	2.1	2.2
Germany (West)	6.2	5.7	5.9
UK	5.8	8.5	9.5
EC average	6.7	9.3	9.5
Current Account (\$bn)			
Industrial countries	-97.5	-33.7	-68.5
Of which:			
US	-92.1	-17.6	-92.0
Japan	35.8	62.7	69.4
Germany (West)	47.8	-8.1	9.4
UK	-25.7	-10.8	-12.3
Developing countries	-24.6	-103.8	-64.2

* Annual changes in per cent. 1 in per cent. Source: IMF World Economic Outlook, October 1991.

year in developing countries. This is apart from the Soviet Union and eastern Europe, which the fund now categorises as developing countries. Although the world economy will grow at its slowest rate in nine years in 1991, output is projected to rise by around 2.75 per cent next year. Following this relatively

Gloomy outlook for jobs and investment in UK

BRITAIN'S return to economic growth next year will be accompanied by a significant rise in unemployment and a continued fall in fixed investment by businesses, according to a report from the International Monetary Fund, Peter Norman writes.

In its latest half-yearly World Economic Outlook, the IMF forecasts that Britain's unemployment rate will average 9.5 per cent next year compared with an average of 8.5 per cent in 1990. The IMF forecast implies that UK unemployment will average 2.72m next year compared with 2.65m in August, when the seasonally adjusted unemployment rate was 8.5 per cent.

Alone of the Group of Seven leading industrial countries, the UK will experience a decline rather than growth in employment in 1992. The IMF expects the number of people in employment to fall by 0.7 per cent next year after a 2.4 per cent drop in 1991. According to the latest government figures, some 26.6m people were employed in Britain in March this year.

By contrast, the IMF forecasts that employment will grow by 1 per cent in all the G7 countries next year after staying virtually unchanged this year.

The Outlook also says the UK will be the only G7 country in which fixed investment by the business sector will fall in real terms next year. The projected decline of 2 per cent would be small compared with the 12 per cent drop expected this year, but it con-

trasts with IMF expectations of 3.8 per cent growth of fixed investment in the G7 as a whole in 1992, as investment in the US, Canada and Italy starts to grow again after falling this year.

The report makes clear that the recession in the UK will have been deeper than those in Canada and the US. It estimates a 3.5 per cent decline in real UK gross national product from peak to trough of the economic cycle, against a 2.8 per cent drop in Canada and 1.3 per cent in the US.

Its detailed projections for the UK economy therefore paint a somewhat more sombre picture of next year's likely economic trends than last week's leaked disclosures from an early version of the Outlook, saying the Fund was expecting the British

economy to grow by 2.3 per cent next year.

In fact, the final version of the Outlook forecasts that output in Britain will increase by 2.4 per cent next year after a sharp 1.3 per cent decline this year.

The IMF projection means Britain can expect an economic growth rate next year that will be below those of the US, Japan and Canada, about the same as in France and Italy but higher than that in western Germany.

The Outlook, which does not give forecasts for united Germany, says west Germany will be the slowest growing G7 country next year, with output projected to rise by 2 per cent after 3.1 per cent growth this year.

The IMF report is sparing in its

advice to the UK government. It says financial policies will need to remain restrained if the government is to achieve its goal of bringing Britain's inflation rate into line with those of the low-inflation countries in the exchange rate mechanism of the European Monetary System.

It says Britain, like most European countries, should improve the efficiency of its labour markets to reduce unemployment. The report also contains an oblique criticism of minimum wage regulations, such as those proposed by the Labour party. It says a reduction in minimum wages "in several countries" would help reduce unemployment among young workers and so help them to improve their skills through on-the-job training.

Iran plans £3.4bn update of its telecom systems

By Hugo Dixon

IRAN plans to put up its own satellite and install mobile communications networks in its main cities to transform its telecommunications infrastructure from that of a developing to that of a developed country.

Mr Sayed Gharazi, the country's minister of posts, telegraphs and telephones, told the Financial Times that he expected to finalise contracts worth DM100m (£3.4bn) with foreign suppliers by the end of the year. Siemens of Germany and SEL, part of the French Alcatel group, which already supply Iran, are expected to get large shares of the contracts but other manufacturers such as NEC of Japan and South Korea's Samsung may also be involved.

The telecommunications development plan is an example of how Iran is seeking to integrate itself in the world economy after the end of its war with Iraq. It has also held discussions with Rover, the UK

car group, about manufacturing vehicles in the country.

In what is one of the most ambitious schemes of any country to modernise its telecommunications facilities, Iran plans to:

- Increase the number of telephone lines from 2.5m today to 6m in two years' time and 12m in 1996. As part of the first phase of this programme, it already has agreements with Siemens and SEL to supply it with digital exchanges and gradually transfer the technology to Iran.
- Launch a geo-stationary satellite for domestic communications and set up 10,000 small satellite earth stations, known as VSATs.
- Lay 20,000km of fibre optic cables to provide a modern long distance network.
- Set up mobile telephone systems in the largest cities.
- Establish a nationwide paging network.
- Use the International Mari-

time Satellite organisation's system for tracking lorries across the country.

■ Renovate old exchanges and cables.

Mr Gharazi has been negotiating with suppliers at the Telecom 91 exhibition in Geneva this week. "They have declared their readiness and they are prepared," he said. "All that remains is the contract."

One potential supplier said he was sceptical whether Iran would be able to achieve the tight timescales it had set. He also doubted whether the country would be able to buy so much equipment for so little money. But Mr Gharazi said his policy was to make suppliers compete with one another. He said manufacturers often started by quoting prices much higher than they were prepared to accept.

He said the programme would be financed by a mixture of financing from suppliers and revenue from oil sales.

Bonn agrees Gatt farm strategy

By Christopher Parkes in Bonn

THE Bonn cabinet yesterday agreed on a strategy to help resolve differences over agricultural policy which have been blocking the Uruguay Round of Gatt talks.

Ministers will propose at an informal trade meeting in The Hague tomorrow that Gatt trading partners should undertake to dismantle their farm subsidy and export rebate systems over the next five years. Results would be assessed in the fifth year and, if necessary, negotiations would be held to decide on any further action.

"The way is now clear for a successful conclusion of the current Gatt round," Mr Jürgen Möllemann, economics minister, said.

The plan, accepted despite lingering objections from Mr Ignatz Kieckhefer, the agriculture minister, seems likely to increase tensions between Germany and France.

Asean presses US on Uruguay Round

By Lim Siong Hoon in Kuala Lumpur

THE Association of South East Asian Nations (Asean), led by Malaysia, was yesterday pressing the US for "flexibility" in liberalising services under the Uruguay Round of Gatt.

Of the various Gatt areas, services emerged most prominent in talks yesterday between senior Asean officials and Mrs Carla Hills, US trade representative. Her visit to Kuala Lumpur coincided with an Asean economic ministers' conference.

Mrs Hills had hoped to use the occasion to galvanise Asean support for US positions in the Uruguay Round, but found herself facing a "pro-active Asean", as described by Ms Rafidah Aziz, the Malaysian international trade minister.

Ms Rafidah said, after the talks, that Asean would like to see "services removed which would provide a kind of flexibility. We must come up with a balanced resolution, satisfactory to all."

Mr Amaret Sila-On, the Thai

commerce minister, also provided Malaysia's implicit backing when he said that the emphasis on agriculture was "unduly great", although most Asean countries are also members of the Cairns Group.

Among the Asean members - Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand - Malaysia has been one of the strongest opponents of any Gatt rule which encroaches on domestic market shares in sectors like finance and insurance.

The US has drawn up a list of 280 specific barriers which it thinks hinder market access by its services exporters. The list is subject to revision however. This is the first time that US and Asean have met at trade ministerial level specifically on Gatt issues. Mrs Hills' visit is also intended to widen the consensus on those issues through the auspices of the United Asia Pacific economic co-operation group which includes Asean, Australia and Japan.

German shipyards clinch Chinese container order

BREMER Vulkan, one of west Germany's biggest shipyards, is to co-operate with an east German yard to build three container ships worth DM600m (£206m) for Cosco, the Chinese state shipping line, writes Andrew Fisher in Frankfurt.

The order comes as east German yards, suffering from over-capacity and low productivity, are struggling for survival after the collapse of Soviet business. The east German industry once employed more than 50,000 people in shipbuilding and related activities. Bremer Vulkan is linking up with Matthias-Thesen-Werft, based in the east German town of Wismar. This yard is regarded as being among the best in east Germany.

The west German yard, based in Bremen, will build one of the big 3,800 TEU (20 ft equivalent units) container vessels itself for delivery in September, 1993. Matthias-Thesen-Werft will build the other two under contract for Bremer Vulkan, delivering these to Cosco in January and April of 1994.

Airport expansion plan 'senseless'

The planned expansion of German airport capacity would be a "senseless" waste of money, according to a study published in Frankfurt yesterday, writes Christopher Parkes in Bonn. Super jets with up to 1,000 seats and the new generation of trains would take all the strain, according to Mr Hans-Georg Ungefer, author of the report in *FWV*, a specialist newsletter.

He claimed that even if airport passenger numbers continued to increase by 5 per cent a year, by the year 2010 most German airports would be working at between 50 and 70 per cent of their present capacity.

With the continuing expansion of the European high-speed rail network, most flights of less than 600km would be superfluous, he said. Around half of the 14m people who fly around Germany each year could go more efficiently by train in future.

Alcatel technology for Australia

THE Australian Telecommunications Ministry has chosen French telecommunications giant Alcatel-Alsthom's mobile communications technology as the country's standard, Alcatel announced yesterday. AP-DJ reports from Paris.

In addition, a company spokesman said, Alcatel is "confident" that it will soon be awarded a contract to set up a mobile communications network, based on the Global System for Mobile Communications technology, in Sydney, Brisbane, and Canberra. Australia is the first non-European country to adopt the European standard for mobile communications. The spokesman would not give the value of the contract, but said it could amount to "tens of millions of dollars" and could also lead to mobile communications contracts for other Australian cities.

Italy's Indonesia dam contract

Impregilo, a subsidiary of Cogefarimpresit, the construction company controlled by Italy's Fiat group, has been awarded a \$150m (£96.2m) contract for civil engineering works for the Singkarak dam in Indonesia, writes Halg Simondan in Milan. The deal, won in conjunction with the Dumez International subsidiary of France's Lyonnais Dumez group, is for the underground electricity plant at Singkarak, 40km north-east of Padang on the island of Sumatra. Finance for the project, which is expected to last around six years, has come from the Asian Development Bank.

CFM wins \$400m engine order

CFM International received a \$400m engine order from All Nippon Airways, AP-DJ reports from Evendale, Ohio. CFM, which is a 50-50 joint company of Snecma of France and General Electric, will provide All Nippon with up to 40 engines for the airline's five firm and five option Airbus Industrie A340 aircraft. With this order, CFM and GE continue to supply a majority of engines for the Nippon fleet, with about 500 engines in service or on order.

Spirit of the Lomé Convention threatened by 1992

One predication about the single market is that traditional suppliers will suffer, writes William Keeling

THE EMERGENCE of the Single European Market in 1992 is being viewed with trepidation by many developing countries. Predictions of how the market will affect Third World economies have ranged from "a much-needed shot in the arm" theory to a doomsday scenario.

The 68-member African, Caribbean and Pacific (ACP) group, currently trades with the European Community under the terms of the Lomé Convention. The convention states that no ACP state shall be placed, as regards access to its traditional markets and its advantages on those markets, in a less favourable position than in the past or present.

Whether that statement will be honoured has been placed in doubt by a recent publication, *Europe 1992 and the Developing World* by Michael Davenport and Sheila Page. In the book the authors predict that the SEM will make EC nations more competitive. "This would mean," they write, "a further

redirection of trade away from traditional suppliers and towards intra-EC trade."

The most far-reaching effect will be to dismantle bilateral trade relations between EC nations and countries with which they have had historical, often colonial, ties.

Ex-French colonies have, for example, enjoyed privileged access to the French market for horticultural and fishery products. As a result, little attempt has been made by these countries to diversify into new markets, neither have they dealt in a competitive setting.

The withdrawal of trading protection is likely to be most serious for ACP producers of bananas. Bananas are one of the most traded agricultural commodities in value terms in the world and a complex system of bilateral agreements governs their trade.

Britain provides a guaranteed market for unlimited quantities of bananas from the English-speaking Caribbean

and Surinam; similar guarantees are provided by France for Cameroon and the Ivory Coast, and by Italy for Somalia.

Production costs, however, differ widely between producing nations and prices range from Ecu50 (£42) per 100kg for Windward Island bananas, to Ecu45 per 100 kilo for so-called "dollar bananas", those produced in Central and South America sold primarily to the United States through a free market.

Various new protective regimes have been proposed but all would be detrimental to high cost producers. For instance, if all quotas were lifted - but a 14 per cent EC tariff placed on dollar bananas - St Vincent would lose about 70 per cent of its banana export earnings; bananas currently account for 40 per cent of the island's export earnings.

Problems will also be encountered in the fish sector as the EC brings in new stan-

dards on health and hygiene. The principal ACP countries to be affected will be Mauritania, Senegal, Madagascar and Mozambique. Although new standards can be met, the problem will be available investment and technical expertise.

Similarly, investment in expensive plant will be required if Togo and Senegal are to address EC regulations limiting cadmium residues in fertiliser.

The effect of the SEM will not be wholly negative. Sectors which should benefit include coffee, tea and cocoa which provide the economic mainstay for many ACP nations. Excise duty on these, which stretch to more than 50 per cent in Germany for coffee and tea, are to be abolished.

In 1988, ACP exports of coffee to the EC were Ecu1.5bn and these should rise in line with the projected increase in EC world imports of coffee of 3.8 per cent as a result of tax harmonisation. Kenya, Rwanda and Tanzania, which produce

mild coffee beans, are expected to benefit the most.

With cocoa, harmonisation of the EC tax regime is forecast to increase world prices by 1.5 per cent and EC import volumes by 1.4 per cent. The principal beneficiaries will be the Ivory Coast, Ghana, Nigeria and Cameroon. Under the SEM an expected 5 per cent uniform tax on tea should increase its price by 1 per cent and total imports by 0.2 per cent in volume.

The dismantling of historical ties between developing countries and particular EC nations may also end forms of unfavourable exploitation.

A study in the June 1990 issue of Finance and Development, published by the International Monetary Fund and the World Bank, showed that many African countries had all paid substantial premiums for strategic imports from their former colonisers.

Former French colonies, for instance, had paid an average premium of 34 per cent

between 1962 and 1987 for iron and steel imports. The costs to the countries were in some cases equivalent to their foreign debt.

The year 1992, however, is unlikely to provide much succour for the ACP nations in their trade with the EC. Increased investment is required for developing nations to adjust their export sectors, but low commodity prices and debt have acted as a disincentive to investment flows from abroad.

With the terms of trade set to get tougher, the danger is that ACP countries will become more aid-reliant. Last year the Lomé IV convention was agreed, bringing with it Ecu1bn in aid over a five year period. Some states are already arguing that the allocation is insufficient for their needs.

Europe 1992 and the Developing World, by Michael Davenport with Sheila Page. Published by the Overseas Development Institute, London pp 130. £9.95.

ADVERTISEMENT

ERICSSON

Telecommunications technology perspective

'Investing for continued success on world markets'

Ericsson, the Swedish-based international telecommunications company, is well-positioned to profit from the technical and market developments that are reshaping the industry.

In digital switching for public networks, Ericsson's AXE switch is in service in over 80 countries, with a 14% share of the world market.

In mobile communications, Ericsson has a 40% world market share for cellular networks. And in the business communications sector, Ericsson's voice and data networking systems are gaining ground rapidly with major corporate users, such as stock exchanges, banks and international companies.

This large-scale, worldwide user base is important, given the high costs of funding research and development into the key new systems technologies.

Ericsson's investment in technology is currently focussed on key systems areas such as ISDN, intelligent networks, broadband communications, transport networks, cordless telephony, mobile data networks, and voice/data networking. Network management, a vitally important subject for both public and private networks, is receiving particular attention.

In future, only a supplier with a systems-level approach covering a number of complementary technologies will be able to

stay at the forefront of the market.

One of Ericsson's real strengths is the company's involvement in the key areas of telecommunications system technology for the future.

The basic platforms for these future developments have already been created, in the form of the AXE digital switching system for fixed and mobile public networks; the digital MD110 subscriber exchange; the Ericsson Transport Network Architecture (ETNA), SDH and SONET optical fibre access and transport networks; and TMOS, with its family of management functions and operation support system.

They form a strong foundation for the new products and services that will enable network operators and end users to make the most of new telecommunications opportunities.

Commenting on this subject in the financial report on the first six months of 1991, Ericsson President Lars Ramqvist said: "We have elected to focus even more intensively on the development of present and future telecommunications systems. By so doing, we expect to maintain and strengthen our leading position in our principal areas of business, with good profitability over the long term."

Focusing even more intensively on the development of present and future telecommunications systems: Dr Lars Ramqvist, President and CEO, Telefonaktiebolaget LM Ericsson.

New York comes in loud and clear

In a single weekend in July, Ericsson and Metro One made history when they successfully completed the largest single cellular system conversion ever. The event took place in the New York/New Jersey area, where Metro One provides a cellular phone service. Overnight, the new Ericsson cellular system improved the quality and clarity of the calls and increased the service capacity in the largest, most demanding cellular market in the US.



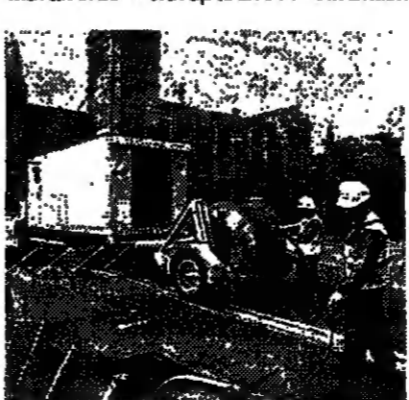
Ericsson cordless phones at 1992 Olympics

VIP guests and organisers at the 1992 Olympic Games in Barcelona will be able to make and receive calls via Ericsson CT3 cordless phones.

As official provider of telephone systems and digital telephones for the 1992 Games, Ericsson is providing an MD110 digital PBX with 10,500 extensions over 50 sites. 150 of the extensions will be cordless, providing full mobility within the communications network.

News in brief

UK: Ericsson has achieved a strategically important breakthrough into the UK market for public network transmission equipment, with an order worth up to £10 m from British



Telecom. Won against intense competition under EEC open tendering procedures, the contract covers plesiochronous multiplex and line equipment for BT's national telephone network.

In a separate contract, the London

Metropolitan Police is to trial Ericsson's Digital Access Communications System (DACS) trunked radio system for its day-to-day operations.

Inter-PBX signalling: Ericsson is one of eight members of the IPNS (ISDN PBX Network and Specification) Forum taking part in a multi-vendor, live demonstration of the new inter-PBX signalling protocol at Telecom 91. The Q-SIG PBX networking protocol is set to become a new European standard for private ISDN. The Geneva demonstration highlights a number of ISDN networking features.

Brazil: Banco Itau is to build a 10,000-extension integrated digital communication network based on the Ericsson MD110 digital exchange. Existing MD110 systems are to be expanded, and new systems added.

Spain: The Barcelona Stock Exchange is to install an Ericsson X.25 data network with 25 nodes serving internal workstations and external brokers' terminals.

Ericsson is also to supply an additional 50 nodes and an NM400 network management system for the Erpax data network in

service at the Madrid Stock Exchange - the largest in Spain. It serves internal workstations and external brokers' terminals.

South-East Asia: Ericsson has landed orders and letters of intent worth SEK480 m to expand cellular mobile telephone networks in Singapore, Indonesia and Malaysia.



To: Telefonaktiebolaget LM Ericsson, Corporate Relations, S-125 25 Stockholm, Sweden.

Please send me further information about Ericsson.

Name _____

Title (Dr, Mr, Ms) _____

Job Function _____

Department _____

Organisation/Company _____

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State/Country _____

Postcode _____ FT110051

My organisation is a (please tick one box only)

☐ network operator

☐ service provider

☐ end user/subscriber

☐ member of the political community

☐ member of the financial community

☐ Ericsson supplier/business partner

☐ telecoms consultant

☐ media publisher

☐ member of the academic community

UK NEWS

High-speed link on slow-speed line

Richard Tomkins finds grave doubts about when, if ever, the great project will begin

BRITISH Rail was leaving others to emit the howls of protest on its behalf yesterday, but there was no disguising the magnitude of its defeat over the planned high-speed link between London and the Channel tunnel.

Its immediate concern was that the route chosen by the government would produce only a fraction of the benefits offered by the corporation's preferred route. But more seriously, there are grave doubts about when, if ever, it will be built.

As things stand, the Channel tunnel is due to open in 1993 with a two-speed railway service between London and the nearest Continental capitals, Paris and Brussels.

In France, the Channel tunnel expresses will run on purpose-built tracks at speeds of up to 200mph. But on the British side, they will slow to a crawl as they mingle with commuter trains on existing tracks.

BR has been trying since 1987 to win the government's permission to build a new, faster line to the Kent coast to speed up continental trains after the Channel opens.

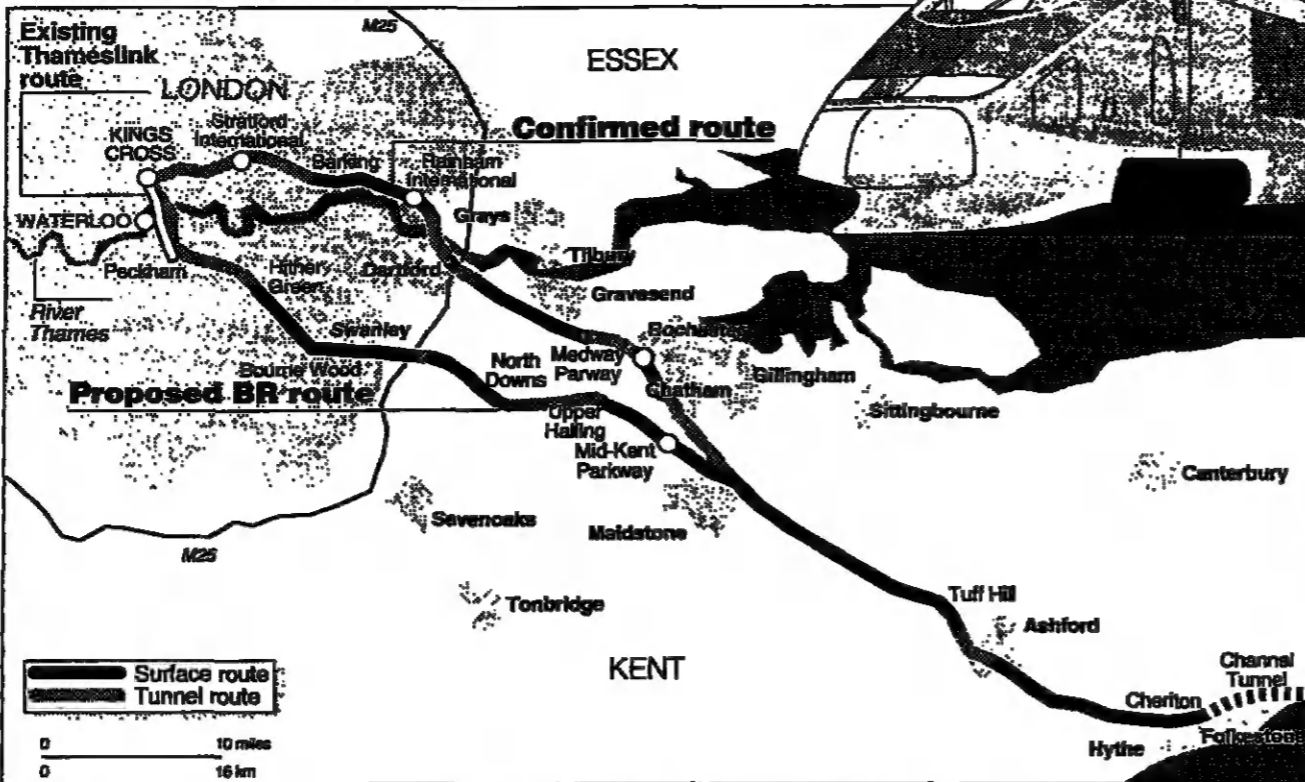
Two obstacles have stood constantly in its way: first, the objections of home-owners in this densely-populated part of south-east England, and second, the sheer cost of building Britain's first new main-line railway for nearly a century.

Both factors have proved powerful deterrents to decision-making. The Treasury has never been convinced of the need for a high-speed line in the first place, and the government has been acutely sensitive of the vote-losing potential of proclaiming a route.

Thus, the government rejected the route first proposed by BR in 1988. When a joint public-private sector consortium came up with a scheme following much the same route last year, it rejected that too. Finally - or so it seemed - it asked BR to go away and study all the possible options so that a decision could be taken this year.

BR did so, and told the government in June that the route

London to tunnel track



it had always preferred was the best one. That, perhaps, was unsurprising: yet its argument was a persuasive one.

What BR did was to reinforce the financial case for the line by extracting the greatest possible domestic benefits. It drew up plans to use the line not just for high-speed international passengers, but for high-speed Kent commuters.

On the international side, the line would cut 30 minutes off travelling times to Paris and Brussels, with half the trains serving the London terminal, already being built at Waterloo, and half serving a new terminal to be built at King's Cross.

On the domestic side, high-speed suburban trains would join the line from Ashford and a new station called Mid-Kent Parkway. They would also come from Ton-

bridge and Sevenoaks to join the line near Swanley. Most importantly, those suburban trains would give workers a much wider choice of destinations than King's Cross or Waterloo, because a spur would take some trains up the Thameslink cross-London line into the heart of the city.

In transport terms, the government's chosen route is a poor substitute. Although it matches BR's preferred option in saving 30 minutes on international train timings into King's Cross, half the international trains will still go into Waterloo. To get there, they will have to branch off the high-speed line on to existing lines at Medway, so the time saving will be only 13 minutes.

The gains for commuters are fewer still. The line will do nothing for the 15,000 commuters who had stood to benefit in

Tonbridge and Sevenoaks. Commuters from Ashford and the Medway towns will be served by the line, but their choice of destinations will be limited to Stratford and King's Cross, where relatively few of them wish to go.

The government was arguing yesterday that broader issues were at stake than the transport one. What it left unexplained, however, was how a line less attractive than BR's could be financed.

When the public-private sector consortium came up with a scheme similar to BR's last year, it concluded that the only way of making it financially viable would be for the government to hand over nearly £2bn in grants and cheap loans.

The government is now saying that it wants the Stratford route built with private finance. But the Stratford

route, at \$4.5bn, costs \$500m more than the BR route and will capture £265m less in user benefits because of the smaller number of passengers it will serve.

It is hard to escape the conclusion that the private sector, if it is ever invited to fund the line, will find the project as incapable of yielding an acceptable rate of return as it did last year. That would leave BR as the only body pushing the proposal forward, but with BR itself due to be broken up under the government's privatisation plans, its ability to do so looks uncertain.

Sir Bob Reid, BR's chairman, was putting a brave face on the affair yesterday, but provided a fitting postscript with the words: "It's a shame we can't get an integrated transport solution in place that makes sense for the 21st Century."

BRITAIN IN BRIEF



ICL wins defence contract

Britain's Ministry of Defence (MoD) is going ahead with a controversial £250m office automation programme despite objections from senior staff who believe the money could be better spent on new frigates or other weapons.

The contract for the fixed price programme, known as the Corporate Headquarters Office Technology System or CHOTS, has been granted to a consortium led by ICL, the UK-based computer manufacturer in which Fujitsu of Japan has a majority stake.

It is the largest contract ICL has been awarded as prime contractor. Implementation will be phased over five years.

Ford to cut 1,000 jobs

Ford is to shed at least 1,000 more jobs at plants throughout the UK over the next three months, bringing the total lost by the company to nearly 2,000 since the start of this year. The company has a UK work force of just under 30,000.

The move comes against the background of a reduced market share for Ford within a severely depressed new car market, and sharply reduced output levels at its worst-hit plant, Halewood on Merseyside. A Ford spokesman said yesterday that the latest job losses formed part of a rolling programme first indicated to its unions at the beginning of the year.

Results, Page 21

Ericsson wins PCN contract

Ericsson, the Swedish telecommunications equipment manufacturer, has won an order worth more than £100m to set up what is likely to be the first in a new generation of mobile telephone services in the UK.

Ericsson will install the first phase of the infrastructure to establish a personal communications network (PCN) for a joint-venture between Mercury Communications and Unitel, the mobile telecommunications consortium.

The Swedish group fought off intense competition to win the order to provide switches and radio base stations. Much of the equipment will be manufactured in its UK factories.

Ericsson will supply all the switches for the joint-venture will order as its extends its network. This should account for about a fifth of the £800m cost of installing the entire network. Further orders for base stations will be put out to tender but Ericsson will be in a strong position to win them.

The deal is a blow for Motorola the US telecommunications group which is Ericsson's leading international challenger in the market for mobile telephone equipment.

Management pay rises 8.9%

Management pay rose by an average of nearly 9 per cent in the last year, but showed a sharply declining trend in recent months, according to the Hay Group's management salary survey.

Basic pay rose by 8.9 per cent in the year to August, and total pay by 8.8 per cent, but at the start of the period salaries were increasing by 9 to 10 per cent. In the period from January to March the range of settlements fell quite sharply and have been falling even more quickly recently.

The latest analysis of settlements indicates that management deals made between April and July averaged 7.5 per cent, and the same companies expected an increase over the next 12 months of only 5.9 per cent.

Optimism in engineering

There has been a surge of optimism over prospects for the British engineering sector, according to a survey among 430 senior managers and engineers.

But the survey, conducted by The Engineer magazine, emphasises that although growing numbers of engineering businesses believe the worst may just about be over, orders remain depressed and investment levels are static.

Almost one-third of the managers and engineers questioned, said they believed the recession had either ended or would be over by the year-end.

Labour queries school tax

Mr Jack Straw, the Labour opposition's education spokesman, has asked Mr Norman Lamont, the chancellor, to clarify rules on the payment of Value Added Tax (VAT) by schools, following a report in the Financial Times that Hertfordshire County Council faces a bill for underpayment of VAT on income from school trading activities.

He said: "Schools have not paid VAT in the past on incidental trading activities. I can see no reason why they should now."

Customs and Excise said the implications of the Hertfordshire case were unlikely to be



Straw: 'no reason for VAT'

widespread, since the county's schools were unusual in passing revenue on to the council. For schools accounting separately, receipts from tuck shops and ticket sales would be unlikely to take them over the £25,000 barrier for paying Value Added Tax.

Poor outlook on house prices

Britain's biggest mortgage lender, the Halifax building society, has admitted a "distinct possibility" that house prices will finish the year below 1990 levels.

The prediction is supported by its latest monthly survey showing a 0.8 per cent drop in the cost of a home during September.

British Gas faces threat

British Gas could eventually face competition in its lucrative domestic business if the government accepts a recommendation by the Office of Fair Trading (OFT) that the barrier for entry by competitors to the market be reduced.

The large oil companies that compete with British Gas are currently restricted to supplying customers which use more than 25,000 therms of gas a year - usually fairly large industrial users.

But the OFT is believed to suggest a progressive lowering of this limit to allow competitors to penetrate the market for medium-sized businesses and possibly even large domestic customers.

Deficit at convention hall

The new International Convention Centre, Symphony Hall and National Indoor Arena, completed in Birmingham at a cost of £230m, will have a combined operating deficit in their first year of £11.7m, according to Mr Barry Cleverdon, general manager of the International Convention Centre.

Tour bookings increase 33%

Lunn Poly, the UK's largest travel agency chain, said bookings for package holidays next summer were 33 per cent above the same stage last year, at about 200,000. Mr Ian Smith, Lunn Poly managing director, said the strength of demand was a clear sign that the British travel trade was coming out of the recession.



Smith: 'clear sign of recovery'

Share support 'well known'

Mr Olivier Roux, former Guinness finance director, told Southwark Crown Court it was well known in the City in 1986 that both the Guinness and Argyll, rival bidders in the Distillers takeover battle were managing their share prices and pushing them as high as possible.

That meant there had been a degree of artificiality about both bidders' share prices, he added. He agreed with Lord David Hood, representing Lord Spens, that share support operations had been "a notorious fact" in bitter takeover battles at the time.

Lord Spens, the former corporate finance director at the Henry Ansbacher merchant bank, and Mr Roger Seelig, the former corporate finance director at Morgan Grenfell, are jointly charged with unlawfully conspiring to induce Distillers shareholders to accept Guinness's offer.

Mr Seelig also faces another charge under the 1988 Prevention of Fraud (Investments) Act and two of false accounting. Lord Spens faces one false accounting charge. Both plead not guilty.

British Coal denies pit plan

British Coal denied the existence of a government plan to close four out of five of its pits, with the loss of 4,000 jobs.

The denial follows reports earlier this week of a document leaked from NM Rothschild, the merchant bank advising the government on the privatisation of British Coal, said to contain a list of only 14 pits found to be saleable.

N-closures may 'save millions'

Britain could save several hundred million pounds by closing five nuclear power stations, according to a Greenpeace briefing document.

The paper adds to the heated debate over whether the oldest Magnox style nuclear reactors of England and Wales, should continue to operate.

Nuclear Electric, the state-owned company operating the nuclear stations of England and Wales, maintains that closing its five oldest Magnox type reactors would cost more than keeping them open.

But the Greenpeace paper, commissioned from an independent academic, estimates that while Nuclear Electric would lose £270m in revenues from the Magnox stations, the cost to the nation of replacing the Magnox electricity would only be £360m.

Job cuts at Law Society

The Law Society, the solicitors' governing body, is to make 50 of its 600 staff redundant to meet a £3m shortfall in its budgeted revenue for 1992.

Mr Walter Merricks, assistant secretary general of the society said the shortfall, which amounts to between 8 and 9 per cent of planned net expenditure, had taken the society by surprise and was the first real evidence of the effect the recession was having on the profession.

Experts assess cost of blaze

Art experts are continuing to assess the damage caused by a warehouse blaze feared to have destroyed paintings and antiques worth up to £20m.

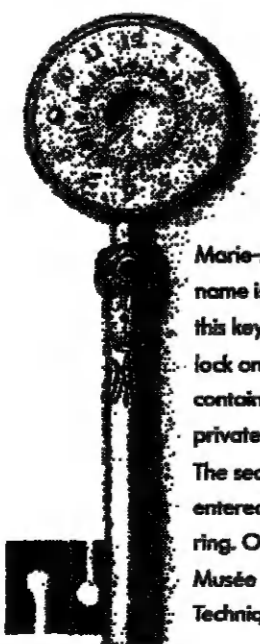
Experts from auctioneers Sotheby's, are visiting the west London art and antiques warehouse of James Bourlet and Sons, to find out which of their clients' possessions remain intact following Monday's fire.



Peart: 'clear sign of recovery'

Britain has appointed ambassadors to the independent Baltic Republics of Estonia, Latvia and Lithuania. The diplomats have already left to begin their postings. The Vilnius, Riga and Tallinn. They are (left to right): Michael Peart, ambassador to Lithuania; Richard Seal, posted to Latvia; and Brian Low, ambassador to Estonia.

This is the key to some of the world's best-kept secrets.



Marie-Antoinette's name is engraved on this key. It opens the lock on a chest which contained her most private possessions. The secret code is entered with the key ring. On display at the Musée National des Techniques in Paris.

This is the key to Switzerland's most European investment bank.

In 1872, when Swiss Bank Corporation was founded to secure capital for the domestic railway network, the financial market was steady and surveyable. Balancing corporate borrowing requirements with investor expectations was a relatively simple task. Since then, the financial landscape around the globe has changed dramatically. The era of derivatives and risk management services is adding yet another dimension - and with it another realm of opportunities - to an exciting but complex market. To navigate safely in today's volatile markets investors and borrowers alike need competent advice and guidance more than ever. They can expect it from one bank which has demonstrated its commitment to the global financial markets for over a century: from Swiss Bank Corporation. SBC's financial engineering skills and a determination to excel in international banking have regularly been acknowledged with AAA ratings by all major agencies. Today, SBC has an undisputed leadership position on all major capital markets in the world. See what in-depth experience combined with product innovation can do for you. In short: discover dynamic investment banking across borders.



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Mr. Roux also faces a charge under the 1986 Fraud Act and two of false accounting charge. Both are now quiet.

British Coal denies pit plan

British Coal denies the plan to close 10 pits in the north-east of England, saying it is a "complete fiction".

The plan, which would close 10 pits and create 10,000 new jobs, was announced by the government last week.

British Coal says it is a "complete fiction" and that the plan is "a complete fiction".

N-closures may save millions

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Expansive plans

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Two hours drive east of San Francisco lies a still, fruitful valley where the world's finest walnut trees grow in their thousands.

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After much painstaking inspection and assessment, the walnut arrives at our own atmospherically regulated stores as cut burr veneers. Here awaits the ultimate test of quality, the master craftsman's eye. Woodgrains are then scrupulously matched for pattern in the numbered sets that will give each car its own unique interior 'signature'.

Experienced hands mount these on a base of birchwood, and apply the characteristic highlights of hand-cut matchwood inlays. Then begins a three week ritual of sanding and polishing where pure elbow grease is still preferred to bleach and stains.

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generously repeated throughout an interior where even the unique rear fold-down picnic tables stand as a tribute to generations of cabinet-makers' art.

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that in looks, feel and aroma set the bench-mark for quiet extravagance. True to decades of Daimler tradition, the cabin comes equipped with a wealth of creature comforts.

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automatically re-tunes to the strongest signal for your chosen station as the journey progresses.

Complementary to this abundant comfort and matchless craftsmanship, comes advanced engineering technology.

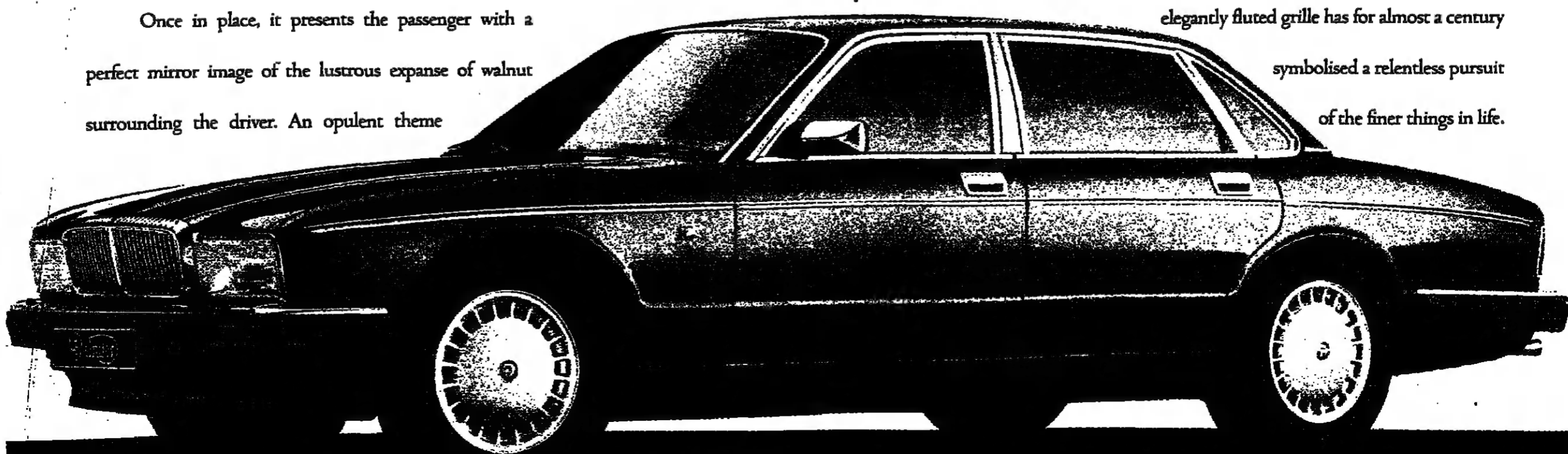
All the power you are ever likely to need is generated by a near silent, 4 litre six cylinder engine, whose sporting heritage is perceived rather than flaunted.

Progress is delivered through an electronically controlled, four-speed automatic gear box, equipped with a convenient choice of 'sport' or 'normal' driving modes that effortlessly changes performance characteristics at the touch of a switch.

Of course, anti-lock braking with yaw control comes as standard. A new low-loss catalytic exhaust system helps protect the environment with little prejudice to economy and performance.

For 1991, Daimler continues to combine the virtues of human endeavour with micro-processor technology, for the future, creating a marque with true charisma, whose

elegantly fluted grille has for almost a century symbolised a relentless pursuit of the finer things in life.



AS LONG AS THERE HAVE BEEN MOTOR CARS, THERE HAS BEEN DAIMLER.

Daimler



UK NEWS

Tories put tax cuts at centre of election bid

By Philip Stephens, Political Editor

MR NORMAN Lamont yesterday put a pledge to cut taxes on income, savings and inheritance at the centre of the forthcoming general election battle as he offered a confident prediction of sustained economic recovery.

Speaking at the Conservative Party conference in Blackpool, Mr Lamont restated the government's determination to cut the basic rate of income tax from 35p to 25p.

He qualified the promise with a recognition that the full reduction might take more than one parliament, but gave a clear signal that it would be accompanied by further tax incentives for savings and a reduction in inheritance tax.

In a fierce attack on Labour plans to increase spending and taxation, he said the opposition would need to put 10p on the basic rate of income tax to meet its pledges.

Emphasising that the Conservatives intend to fight the election on the central issue of economic competence, he added: "After a spending binge, Britain would be dragged deep into debt. Inflation would rocket. And we would end up with panic spending cuts."

In one of the most important

conference speeches of the week, Mr Lamont insisted that the economy was now coming out of recession: "What we are seeing is the return of that vital ingredient - confidence. The green shoots of economic spring are appearing once again."

The comments underlined the chancellor's confidence that the Treasury's forecasts of a return to 2 per cent growth in the first half of next year would be easily met.

He foreshadowed also another sharp fall in the inflation rate when the Retail Price Index for October is published tomorrow. With the figures expected to show the annual rate of price rises slowing from 4.7 to about 4 per cent, Mr Lamont said the Conservatives would make Britain a country of "permanent low inflation".

His optimism on growth, however, was not shared entirely by the International Monetary Fund which warned yesterday that Britain's return to economic growth next year will be accompanied by a significant rise in unemployment and a continued fall in fixed investment by businesses.

Editorial Comment, Page 18

Sterling fails to rally despite bank support

By Peter Marsh and Jim McCallum

NERVOUSNESS about the state of the UK economy and the fortunes of the Conservative party continued to depress the pound yesterday, in spite of action by the Bank of England to support the currency.

Dealers on foreign exchange markets reported lack of sustained buying interest in the pound, which has been weak due to unclear evidence about a rebound in the economy and reports of divisions in the Tory party on Europe.

In a jittery market, sterling was lifted fractionally by a confident speech by Mr Norman

Lamont at the Conservative conference, and also by the Bank's operations on Tuesday night to buy sterling at around DM2.90.

Last night the pound finished in London slightly above this level, at DM2.9025, but down half a penny on Tuesday's close. At last night's level, sterling is about 5 pence below its DM2.95 central rate in the European exchange rate mechanism, and roughly 4 pence below its effective floor.

US credit crunch, Page 6
Lex, Page 20
Currencies, Page 38

Thatcher's emotional curtain-call has the audience crying for more

WHILE it must have been one of the most carefully managed moments in modern British political history, there was always the lurking danger that sheer emotion would send it flying beyond the party managers' control, writes Ivo Dawney.

As ordinary Tory party members stretched and chatted between debates the tension was already palpable in the eyes of alerted security men. Then suddenly a flash of bright blue suit and a deep throated roar announced that Mrs Thatcher had arrived.

The undefeated victor of three elections, the longest serving prime minister this century, the international myth and, above all else, the populist heroine of the party's grassroots was back among her people.

Her reception was more than a welcome home. It was a outpouring of passion. For many of the matricides - the MPs around the Empire Ballroom and the ministers on the platform - it was a high decibel public reproach for her downfall.

There are still problems to be sorted out, notably whether the clause allowing Britain to defer a final decision should be a specific or general derogation. But as Mr Norman Lamont emphasised yesterday the drafts now on the table will allow Mr Major to insist that a single currency will not be imposed.

The view among senior ministers is that if Mrs Thatcher opposes the compromise, so be it. It will win the overwhelming support of the Conservative Party at Westminster, if not here at the party's Blackpool conference. Mrs Thatcher will have to decide whether she wants to risk a Labour election victory - and with it her political legacy - for a campaign which will be backed by at most 20 MPs on the Conservative benches.

It is political union which is exercising the minds of senior ministers. The withdrawal by the Dutch presidency of its "federalist" blueprint has signalled the beginning of an intensive exercise to see where a deal can be struck.

It began last week with a lengthy meeting of all those members of the Cabinet with responsibilities affected by the Maastricht summit. Only two - Mr Michael Howard and Mr Peter Lilley - dissented from the view that it was time to explore in detail those areas where the government might compromise.

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As a beaming John Major led his former leader to her place, the representatives in the body of the hall belated their appreciation with a fervour that betrayed a deep-felt grief. Despite the stage-managed entrance, designed not to upstage her predecessor, there was an instant sensation that one of the world's most disciplined, some might say deferential, political audiences was off the leash. It ignored a plea to sit down. Rhythmic handclapping began, cries of "Speech, Speech" were taken up and

multiplied around the hall. To a clearly prearranged signal Mrs Thatcher sat down and the those on the platform followed suit.

But the conference was not having it. Like a patient schoolmaster in front of a classroom run amok, Sir Joseph Bernard, the chairman, tried again. "You may have noticed we are very pleased to see you," he said. "I now call on Michael Howard..." His words were lost as a defiant stamping.

It was up to John Major to break

the impasse between platform and floor. Taking Mrs Thatcher once more by the hand, he presented her again to the hall to more jubilation.

Minutes later, raising his voice one more time above the hubbub, Sir Joseph announced: "I have received a message from Mrs Thatcher and she asks us to continue our programme."

By proxy, maybe, but the silent leader had spoken. The party leaders, the image makers, and conference organisers could at last breathe again.

Philip Stephens, political editor, tests the water at the Tories' Blackpool conference on economic and monetary union

Spirit of compromise blows towards Maastricht



John Major leads the applause for his predecessor Margaret Thatcher, who yesterday made a carefully stage-managed appearance at the party conference.

ence to discern that the Foreign Secretary sees compelling reasons to avoid a breakdown at Maastricht.

In a brief but central observation he remarked that the US no longer has the "appetite or the ambition to police the world". Yugoslavia proved the point. Washington expected regional organisations - in this case the European Community - to settle regional disputes.

Mr Hurd is not prepared to see the replacement of the NATO defence framework with the European alternative by the French. His recent talks in US have convinced him, however, that the American

umbrella must complement not substitute for much closer European co-operation. The focus of political concerns in Washington is switching to domestic issues.

Britain had the right to choose a separate policy towards the Soviet Union, the Baltic States and towards Yugoslavia, Mr Hurd declared. But in reality that would be show and gesture. To be effective it had to act as one of 12.

None of this means that the foreign secretary can or will accept proposals for majority voting on foreign policy or defence issues. He is as convinced as ever that even if he

could sell it to the Tory party it would simply not work. What he wants instead is a common foreign policy by consent.

The other central area of dispute in the intergovernmental conference on political union - the authority of the Community's institutions - is a minefield. Mr Major will not feel comfortable recommending to Tory MPs that the Commission's competence be further extended into areas such as health and education.

Majority voting on the social charter is simply anathema. Handing authority to Brussels to unravel Mrs Thatcher's leg-

acy of trades union reform would be tantamount to offering the task to Labour. Ministers believe that the whole process of negotiations could yet founder on this single issue.

But the stage has been set for modest compromises in other areas. Mr Hurd last week explained to his colleagues that the shorthand description - co-decision - of plans to extend the powers of the European Parliament is less threatening than it sounds.

None of the texts so far presented suggests that the parliament be given the power to implement or amend legislation. Instead the discussion is

concentrating the extent to which the parliament should hold a veto.

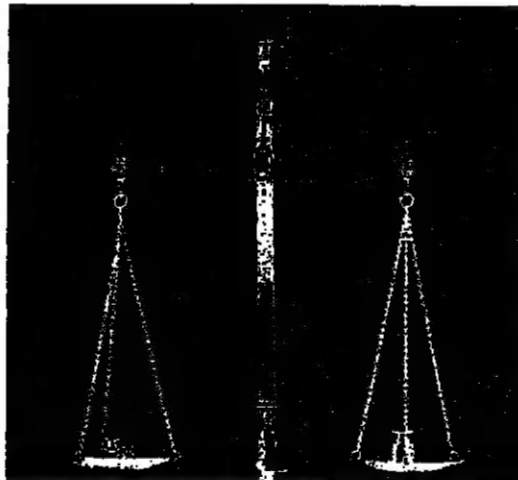
Mr Hurd thinks there is room for negotiation. Nor is opposition to majority voting completely sacrosanct. Ministers, it seems, would be ready to see its extension to environmental issues.

This falls far short of the ambitions of Chancellor Helmut Kohl - the pivotal figure at Maastricht - and yet will cause irritation on the Tory right.

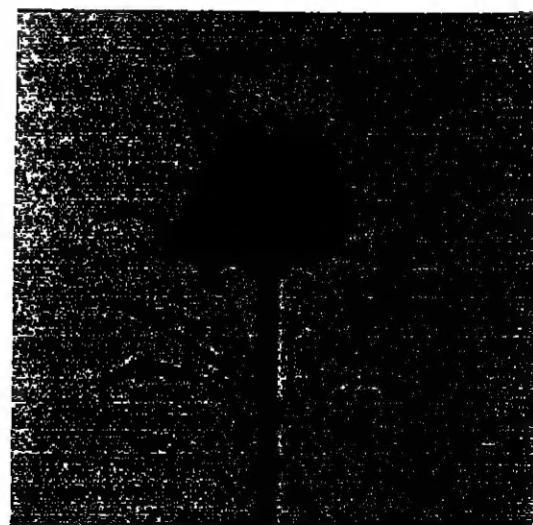
For the moment, however, Mr Hurd is unwilling to accept that reaching agreement will be impossible rather than simply difficult.

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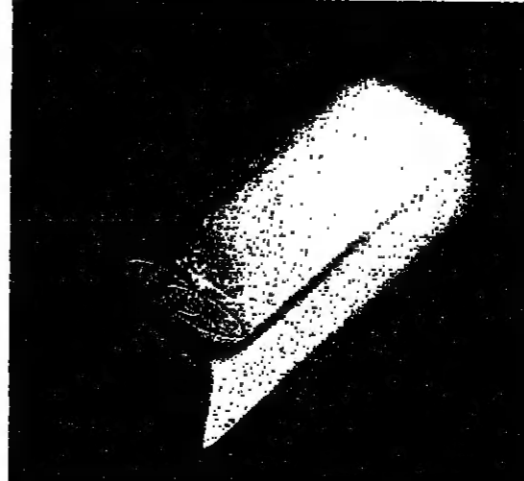
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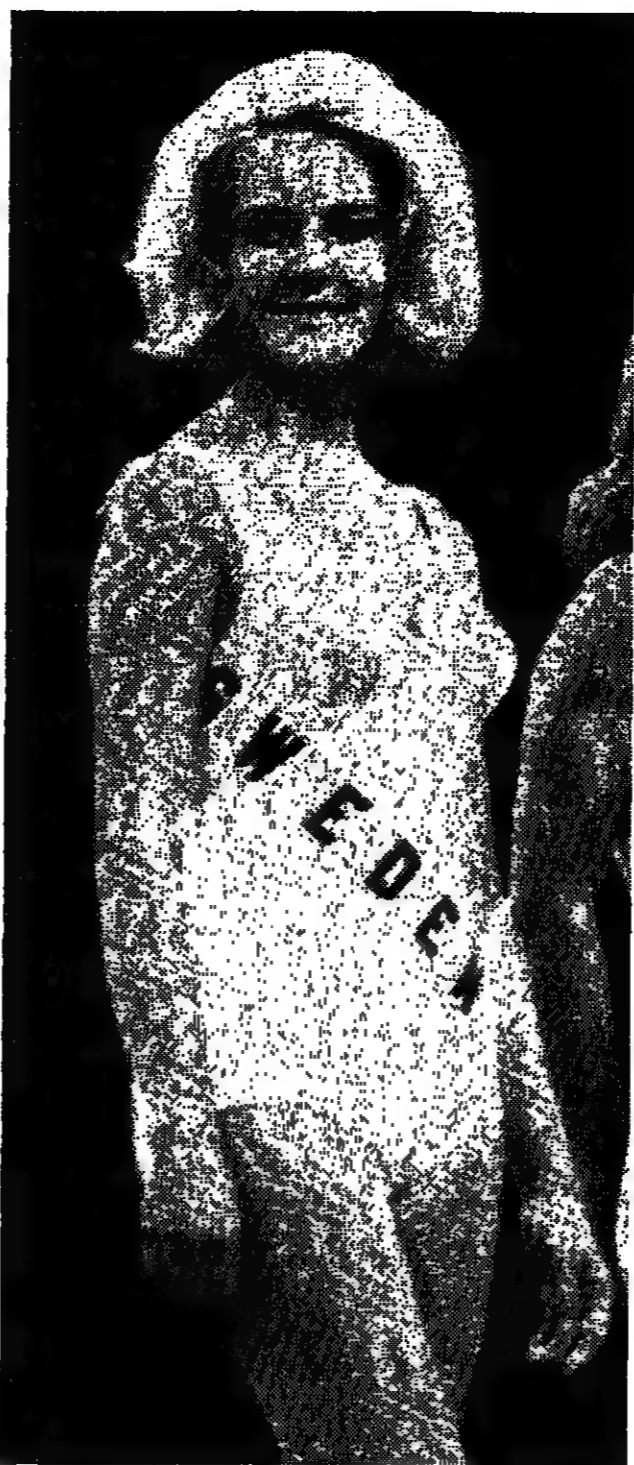
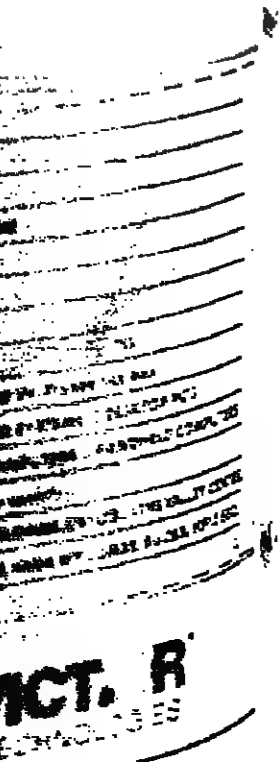
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MANAGEMENT: Marketing and Advertising

Kitsch for starters in the farmhouse kitchen

Emma Tucker explains how Forte restaurants have bucked recession

One of the assumptions made in a recession is that restaurants do badly as discretionary spending on eating out dries up.

So they undoubtedly do, especially at the top end of the market. But more downmarket chains which are perceived to offer good value for money have been well placed to ride out the worst of the downturn.

The Harvester chain, for instance, part of the Forte leisure group, claims that covers served have increased by 3 per cent in January compared with last year.

A "farmhouse atmosphere" complete with mechanical windmills, gumdrops, pots and pans on the ceiling, and a salad "cart", may not be to everyone's taste, but it is a price of £10 a head, Harvester has remained popular.

The combination of what PR people call the "experience" of a qualitative experience with mid-range prices has, according to Forte, trading down to a level not prepared for by the unknown restaurant and those at the lower end of the market trading up by eating out less often.

Forte also claims that Harvester's wholesome yet modern image has brought the chain into line with current eating habits compared with the red-meat associations of traditional steak-houses.

The established steak-house sector dates back to 1959 when Berni Inn was launched. Today it is dominated by brands such as Beef-eater, Toby Grill, and Forterhouse.

Despite the recession, the long-term trend towards discretionary eating out augurs well for such middle market restaurants. Eating out was one of the fastest growing leisure pursuits of the 1980s. The Henley Centre has forecast that the value of the market in the UK will, at current prices, reach £24.5bn by 1986 compared with £14bn in 1980.

Tony Monnickendam, managing director of Forte Restaurants, is convinced there is strong potential for growth.

"I think McDonald's has done a great job in this market by introducing a whole range of consumers to the habit of eating out and using restaurants at a young age. As their tastes mature, they move up through the market," he says.

The Harvester chain, launched in 1955, was a late entrant to the market. It has 79 outlets across London and

the South East, Wales, the West and the Midlands. This represents 10 per cent of steak-house restaurants but it claims a 20 per cent market share.

The company's aim from the beginning was to present a specific image through the creation of a brand. "We came at it from the point of view of 'let's create a brand for the retail market'," says Darrell Stocks, managing director of the Harvester chain.

The marketing team came up with the idea of a reassuring, rural, "whimsical" atmosphere; cosy interiors, hoes and watering cans; waitresses in green dungarees and menu items such as "pitchfork" (lamb kebabs). The restaurants were attached to neighbourhood pubs converted to the farmhouse theme. "The name Harvester linked it all together," says Stocks.

Another aim was to encourage people into the restaurants during the least busy times of the week. "We had all this space at lunchtime and we wanted to fill it so we looked at who was around during the day," says Monnickendam.

An "early-bird" scheme was launched which offered discounts for people who arrived between 5.30pm and 6.30pm; over 55-year-olds could apply for a "privileged guest" card,

which entitled them to one-third off the price of their meal.

This, says Monnickendam, has been much copied. The Whitbread-owned Beefeater chain now offers an "emerald card" to over 55-year-olds.

Whitbread has been expanding its national influence with the purchase last year of the Berni Inn brand name and 150 outlets from Grand Metropolitan and now commands 32 per cent of steak-house outlets.



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Harvester, Beefeater and focused on marketing as a means of increasing its share of a depressed market at the expense of its competitors.

As part of this effort, it has changed the name of 46 of its outlets to Beefeater Restaurant and Pub, rather than Beefeater steak-house.

"Our existing customers understand that a Beefeater is much more than steak," says Tye.

they are made more aware of the type of policies the market can provide. Later this month a £300,000 advertising campaign, emphasising the flexibility of Lloyd's insurance policies, will begin with advertisements in national newspapers and the trade press.

Hardwick says: "Most UK businessmen have heard of Lloyd's but that does not necessarily mean that they believe Lloyd's is relevant to them."

Outside London, there appears to be little knowledge about the way in which Lloyd's has developed specialised commercial insurances. Duguid is organising a series of seminars with local brokers, beginning with sessions in Birmingham and Bristol this month.

The difficulties faced in launching the initiative seem substantial, not least because of continuing suspicion within the highly fragmented market of any initiative taken by the corporation. "Quite frankly there is a number of people who don't believe that this is worth working," says Hardwick.

Preppy products through the post

John Thornhill on US mail order in the UK

Preppy expatriate Americans can now relax: Lands' End, the upmarket US mail-order company, has arrived in the UK.

Full-page advertisements for the company's range of Hyde Park Oxford button-down shirts, Square Rigger attaché cases, and Squall jackets are already appearing in the British press. "We're Lands' End, direct merchants from America. May we introduce ourselves to you properly?" the quirky advertisements run.

The language is deliberately Americanised (or should it be Americanized?). The product range is narrow. The emphasis is on quality and service. The advertising style is homespun. Depending on your point of view and mood, you are either likely to warm to the approach or want to grab the copywriter by the throat. Here, for example, is how the company describes its origins:

"By some process of divination known only to him, our founder located Lands' End headquarters in a small community in Southern Wisconsin, USA, on the outskirts of a village called Dodgeville.

"Surrounded by rich agricultural land - dairy country as well - the earnest farmers and industrious citizens of Dodgeville live lives that respect the eternal virtues - honesty, industry, integrity and loyalty - blended with a large helping of humility and a seasoning of wry good humour."

Whatever else it may be, the approach is certainly a far cry from the somewhat rusty image of traditional mail-order catalogues offering a range of shapeless corsets to elderly grannies.

But behind the media gloss lies a careful 18-month study of the European market. Lands' End was already receiving many orders from the UK. "But the problem was that you had to pay for the telephone call, the distribution costs and duty. We have made it much more user-friendly," says Justin Metcalf, managing director of Striding Marketing, which handled the introduction of Lands' End to the UK.

The company has set up a distribution centre in Camberley, Surrey. Orders are

accepted over a freephone telephone line and despatched to the customer to arrive within 10 days. Returns are accepted "for any reason, at any time".

Although it is only initially offering 17 products, Lands' End promises an extensive range of sizes and colours. For example, a button-down shirt may come in 15 to 20 colours and 30 different sizes.

Many of the company's products have a nautical feel - a leftover from the group's origins as a yacht store. Founded in 1963, Lands' End expanded rapidly into direct merchandising and increased its sales from \$16.5m (£9.4m) in 1980 to \$604m last year.

The 54th UK mail-order market is still dominated by four big players: Great Universal Stores, Littlewoods, Freemans and Grattan. All these companies, however, are moving away from their traditional reliance on agents selling goods for commission towards more cost-effective direct mail techniques.

However, the sector is in the midst of great upheaval. Earlier this year, the ailing Next sold Grattan to Otto Versand, the giant German mail-order retailer, and Littlewoods' mail-order arm has also been put up for sale. The hot rumours suggest it may be bought by Quelle, another leading German retailer.

Other overseas mail-order groups have moved into the UK market including L. I. Bean, the long-established US mail order group and great rival of Lands' End in its home market.

But Lands' End believes it can avoid direct competition with the "big boys" and can also expand the UK market in the process. "We are positioned far away from the traditional mail-order businesses. We are a niche marketing company giving a more defined offering and service. We are going for a slightly more sophisticated market and hope to attract some new people to mail order," says Metcalf.

In time, Lands' End would like to expand in mainland Europe although Metcalf believes "the concept of pan-European mail order is still a number of years away".

Lloyd's - the traditional London insurance market - is launching what is, for it, a revolutionary marketing move. The move is aimed at reversing its declining share of specialised commercial insurance in which it specialises.

The move is quite simply a through the mystique surrounding the Lloyd's name," says Richard Duguid of Citi-gate, the City public relations and marketing organisation advising Lloyd's on the campaign. Yet despite enjoying the advantage of "the Lloyd's brand name", selling Lloyd's may be no easy task.

The campaign, which was announced last week, is being spearheaded by Andrew Duguid, the head of public relations at the Corporation of Lloyd's, the body which provides back-up to a syndicate consisting of more than 30 underwriting syndicates - groups of individual members capital backs the market - and more than 100 brokers which man-

A radical policy from Lloyd's

Richard Lapper explains how the London insurance market is setting out to sell itself

the syndicates and appoint

At first glance, Duguid seems an unlikely marketer, having joined Lloyd's from the Civil Service to take over the Corporation's internal regulation division in 1980. But his background is in advertising; he used to work for S H Benson, an agency subsequently taken over by Ogilvy & Mather. The current drive seems modest - Duguid has a team of around five, an annual budget of £2.5m and help from Citi-gate.

Traditionally Lloyd's underwriters and the agencies that manage them have waited for business to be brought to them by brokers. Independent marketing initiatives by agency groups have been few and far between. In October, an agency group that

has recently set up offices in Leeds and New Jersey in a bid to win more business, says: "It is dawn on Lloyd's that you've got to get closer to the market."

At times, the marketing of Lloyd's has been hampered by its own rules governing the registration procedures of Lloyd's brokers - the only brokers allowed to bring business directly to Lloyd's - are limiting. Until last summer, the rules of the market's crest and seal of arms by Lloyd's agencies and brokers were hampered with restrictions.

Yet Lloyd's is now selling itself more aggressively. It is losing its share of the international market for specialised commercial insurance which it once dominated. Once a unique market for

the insurance of unusual risks, Lloyd's now has dozens of competitors among leading international companies. Some of the most businesslike agency groups have recently developed their own marketing initiatives to win business.

As well as Octavian, companies like Sturge Holdings and A J Archer have set up their own service or marketing companies. Sturge established an office in Paris last year while Archer has a Copenhagen operation. Duguid's campaign aims to give centralised backing to this type of initiative and encourage other agencies to take similar steps.

Although Lloyd's eventually aims to expand the campaign into Europe and the US, the campaign will for the moment be focused on the UK market where Lloyd's believes that its

liability insurance policies - covering professionals such as architects, engineers and company directors and officers against legal liabilities - are potentially vulnerable to mail and underwritten business.

Lloyd's already has a 17 per cent share of the liability insurance market, for example. It will also attempt to increase its market share of motor fleet insurance - Lloyd's underwrites already underwrite about 10 per cent of the UK market for ordinary insurance - and of specialised life insurance policies. Key-man insurance which insures a company against the loss of a key person, a key initiative have been sent to mail brokers throughout the country in the hope that they will channel more business to Lloyd's if

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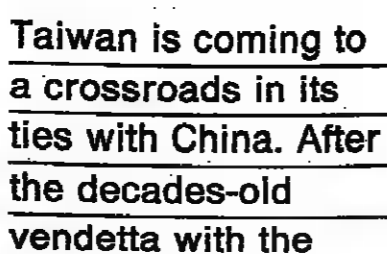


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071 2222

Relations with Peking and
the world; finance sector
in transition **Page 2**



Communists, Taiwan, bastion of the old Nationalists, is torn between rapprochement with China and an urge to make its own way in the world, writes **Peter Wickenden**

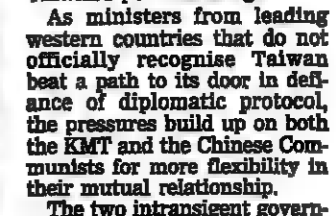
The last lap to reality

Mr. Mao's speech, the conservative and staunchly anti-communist premier—who was born on the Chinese mainland—portrays such moves as the fruits of internal democratisation rather than a simple admission of reality. His foreign minister, Mr. Fredrick Chien, even insists that there has been no real improvement in relations with China or any reduction of tension across the Taiwan Strait, over which the sides have for an hour



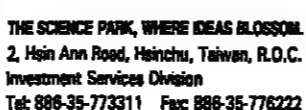
However, the DPP's decision to campaign on the Taiwanese independence ticket is a non-starter. It probably believes the majority of the general public would immediately reject independence if such sedition laws were repealed.

But the DPP has overlooked the widespread fear that China might carry out its threat to over-run Taiwan if independence were declared. The KPR



On the economic front, however, the government is increasingly concerned at the degree to which Taiwan's prosperity is linked to the mainland. Most estimates put Taiwanese industrial investments in Communist China at \$2bn to \$3bn. Together with industry from Hong Kong and Japan, this is creating a Chinese export boom that in turn is drawing more of Taiwan's resources to the mainland.

Today there are 131 companies such as Acer, Mitac and Microtek, employing a total of 22,000 professionals in the Science Park. They are



TAIWAN REPUBLIC OF CHINA

TAIWAN 2



Chinese or Taiwanese? — In the central city of Taichung, some of the 11,000 reservists called up in May for a week-long exercise

Economic power raises political questions, writes Peter Wickenden

Two confident steps forward

THEY are not couch potatoes in political terms, but a growing number of western leaders say that Taiwan is economically just too big and influential a place to be ignored.

The country has reached a turning point in its dogged efforts to legalise official ties with the leading industrial democracies. This year has seen the first of a series of visits from its major one-step forward, two steps back in its confidence moves forward held up by only the occasional setback.

The reason is simple. Taiwan is now a major industrialised nation, and a conspicuously wealthy one, and is arguably more democratic than many of its peers.

Another reason is that Taiwan can now only go forward. The steady erosion of its formal diplomatic links since the early 1980s has left South Africa and South Korea as the only really significant industrial nations still recognising Taipei. Both of these long-standing allies are likely to switch recognition to Beijing within a few years if not earlier.

The island has long been well prepared for the three two

Distinguishing Taiwan from the new-found carrot, the \$300bn Six Year National Development Plan, the government has set off a stampede of high-ranking foreign officials to Taipei anxious to secure a slice of a colossal public works pie.

Among advances in substantive foreign relations this year, Mr Fredrick Chien, the foreign minister, counts visits by ministers from France, Italy, Ireland, Germany and Sweden, and a senior trade official from Britain. All came to assure the Taiwanese of their interest in participating in the Plan, and almost every one Beijing splintered a ritual protest.

Taiwan's *de facto* embassies around the world have been allowed to drop amorphous names like "Far Eastern Cultural Office" and to adopt ones that at least give some idea which country they represent. Staff at the "Free Chinese Centre" in London boast they can now telephone junior British Foreign Office officials — more than a decade after the centre was established there. For a country that has been so belated and humiliated as Taiwan, these things are significant.

It is widely supposed that the improving relations

between Taipei and Beijing also give third countries more room for manoeuvre. Indeed, Beijing does not object to any country having economic and trade ties with Taiwan, but Mr Chien insists there has been no rapprochement, and that Beijing has recently stepped up its efforts to barge Taiwan off the world stage.

Among the apparent results of Beijing's pressure were Japan's cancellation of a private trip to Tokyo by President Lee Teng-hui and the sudden abandonment of a tour which the President was to have made to Central America.

"Don't underestimate the People's Republic of China," says Mr Chien. "Westerners leading western countries, tired of conflicting sovereignty claims between Taipei and Beijing, may be taking matters into their own hands. During the row over renewal of Most Favourable Nation trade status for China, President Bush declared for the first time that the US would work actively with other members of the General Agreement on Tariffs and Trade toward processing Taiwan's application, made in January 1991.

Getting into Gatt is Taiwan's

For more than the world's 13th largest trading nation in 1990, it hopes it will be able to negotiate directly with other member countries whether diplomatic links exist or not.

Meanwhile, France has decided to treat Taiwan as a purely trade partner, a decision to allow its contractor Thomson-CSF to sell sophisticated frigates to Taiwan for its navy. Since it is the one European country that it is not to gain most from contracts on the Year Plan, it considers it well worth braving Beijing's wrath.

All this calls into question the immediate value in Taiwan of diplomatic relations, and the island has triggered a series of moves to its foreign policy. Mr Chien says there is public opposition to the pursuit of official relations with poor and voiceless nations in exchange for cash. Critics do not line the streets of Taipei when the foreign presidents appear.

The island now is more on a multilateral than bilateral basis, as it seeks a more respectable place in the international community via organisations such as the IMF and the World Bank.

The trade-off will be the

gradual phasing out of Taiwan's official name, the Republic of China. Few foreigners know Taiwan by that name, and the government is being urged to show more flexibility in the alternative names it might use to join international bodies.

It applied to Gatt as "Taiwan, Kinmen, Penghu and Matsu" (the names of the islands under its control). For the Olympics and other sporting events, it is called "Chinese Taipei".

Although not named by the opposition in their campaign for Taiwanese independence, the UN, Taiwan might join the United Nations has captured the public's imagination. (As one of the founders of the UN, Taiwan had occupied China's permanent seat on the Security Council until former President Nixon dropped the UN with an admitting the Communist People's Republic instead.) However, Mr Chien insists that if Taiwan were to join the UN it must still be so as the Republic of China.

Fearing humiliation at home and by Beijing (which can veto the Security Council's decision on Taiwan's entry), the government is resisting calls to make an application.

Peter Wickenden on relations with China

End of the big freeze

AFTER four decades of bitter hostility, Taipei has made a series of bold moves toward building a new working relationship with its mighty neighbour.

A game of waiting and learning has now begun. Disappointed but not surprised by the lack of an amicable response, Taipei appears to be growing more cautious about opening up further in spite of domestic pressure to do so.

The Nationalist (KMT) government's move to recognise the Beijing regime and renounce the use of force against it was a spontaneous act of goodwill toward the communists.

Rather, as Premier Hsu Fei-tsun has made clear, this was forced upon it by public protests unprecedented in scale and violence in Taipei last year.

While Taiwan remains a strategically vulnerable as ever and is thus reluctant to drop its guard against an unpredictable enemy, its progress toward democracy, openness and free trade are now steps in the government's bow.

The KMT has not renounced sovereignty over the mainland, including Outer Mongolia. The academics in Taipei say the new official designation of the communist "rebels" as a "governing authority" is a signal that the sovereignty claim is no longer to be taken seriously by Beijing.

The government has set up a new body to deal with China, the official mandate in this case Chinese officials have been entrusted to the nominally private but mainly government-funded Straits Exchange Foundation.

Taipei now acknowledges the existence of the Beijing government in May, the first time since 1949 that a delegation on a "courtesy visit" to establish initial channels of communication.

The President's board comprises many of the most influential businessmen and KMT politburo members. Its staff are their orders directly from the cabinet's new Mainland Affairs Council, which also serves mainland-related policies drawn up by all other ministries. Until the legislature passes a law governing "people-to-people" relations between Taiwan and China, the MAC decides what may

and what may not be done. Meanwhile, the National Unification Council, set up under the president's office, was initially seen as an attempt by Lee Teng-hui to take the initiative from other officials and ally Beijing's fears that he was leading Taiwan toward formal independence.

However, this body gave birth to the National Unification Guideline, which now dominates all policy toward China and has for the time being sharply narrowed the scope for greater exchanges.

Most people in Taiwan apparently regard unification as inevitable as long as it would be with a free and democratic mainland. Mr Chen

in Beijing, Mr Chen was bombed by Chinese calls for direct trade. China, which runs a hefty trade deficit with Taiwan, sees this as a pre-condition for further rapprochement. And unification, Taipei as an equal political entity, it says, is a precondition to its own concept of unification.

However, indirect trade is still growing rapidly and is expected at top \$300 bn this year on the back of a steady flow of Taiwanese industry into the mainland.

Industrialists are satisfied with the government's policies toward China. KMT politburo member Mr Chen Feng-tao. The main is negative, one of prohibition and isolation.

Under the China Industrial and Commercial Coordination Society, a chamber of commerce whose members include many of the largest enterprises on both sides of the Straits.

Indirect trade does nothing to enhance our trade protection or our national security, and we are losing money paying commissions to trading houses in Hong Kong," Chang complains.

Mr Vincent Chen, the Economics Minister, says the government must stick to the Guideline. The ministry spokesman, Mr Chiang Ping-kung, regularly complains that Taiwan's trade and economy are becoming dangerously tied to China. The real extent of the dependence will appear if China's economy falters severely and took Taiwan down with it.

This raises concern that China, with its "one country, two systems" approach, might be tempted to use economic means to achieve political objectives. However, that is the game that both sides are playing. Taiwan is trying belatedly to gather support on the mainland by asking the thousands of Taiwanese companies that have invested there to form associations, and concentrate their activities along the coastal provinces.

Whatever their respective ultimate aims, the two governments are coming together and learning to deal with each other to tackle immediate economic problems arising from the unstoppable contacts between their peoples.

Most Taiwanese people regard unification with the mainland as inevitable as long as it is with a free, democratised China

Chang-ven, secretary general of the Foundation, says the government pursues unification and opposes independence "for practical, historical and moral reasons."

The Guideline, which has been criticised by the reunification of Germany, envisages a three-stage process. The first stage calls on both sides to formalise mutual respect, recognition and reciprocity. Official talks, cooperation and unification follow in subsequent phases.

Specifically, Taipei wants Beijing to renounce the use of force against Taiwan, treating it as an equal rather than as a runaway local authority, not obstructing its efforts to form international ties, and implementing democratic and economic reform to allow greater freedom of speech. So far, in Taiwan's view, Beijing has been a non-starter on all counts.

The Guideline is not table, is loosely worded and seems to be flexible. But it is clear that direct trade, investment, postal and shipping links, banned by Taipei for many decades, are not part of the first stage. On his historic

Andrew Bolger on how the stock exchange regained its cool

The roulette wheel slows down

THE chickens are still coming home to roost following last year's collapse of the Taiwan Stock Exchange.

The Taipei index fell from 12,500 points in late February to 5,000 by the end of the year — a decline of 60 per cent. The market subsequently climbed back above 5,000 level early this year, although it has recently been trading in the range of 4,000-5,000.

Such volatility is remarkable in comparison with other world markets, but the real sea-change in Taiwan this year has been the decline in the number of shares traded. Last year daily turnover often topped \$1 billion (\$37bn), second only to New York.

The turnover rate in Taipei was around 600 per cent, meaning each share was on average traded 600 times a year, as compared with 100 per cent in New York and Tokyo. Daily turnover is currently running at around \$200m, which spells a bleak future for many of Taiwan's 200 stockbroking firms.

There were only 28 brokers as recently as 1987, and analysts believe there is unlikely to be enough business to allow more than 100 firms to survive the current wave of closures and mergers.

In spite of this threat to jobs and companies, government ministers show grim satisfaction at the pricking of the stock market bubble, and last year's preceding market type frenzy was undermining one of the pillars of Taiwan's economic miracle: the incredible labour discipline of the island.

Mr Wang Chien-shien, finance minister, says "Businessmen and industry can now get used to the fact that people preferred to play the market, rather than work. A factory worker could earn more than the monthly salary in one day's trading."

The government is also pushing ahead with plans to expand and liberalise the stock exchange, in spite of last year's trauma. It is determined to do so because it believes only an expansion of the stock market can remove one of the underlying causes of the market's volatility — excess liquidity.

Between 1987 and 1990 the number of listed companies increased from 141 to 199. Yet the most period saw the number of investors rise from 654,495 to more than 5m. Many people chasing too few stocks sent share prices spiralling upwards and fed the illu-

sion that the market was bound to go on rising.

The government plans to increase the pool of shares — and raised from \$3400-5000 in 1987 to \$1000-2000 in 1990 — from the first phase of the privatisation of 19 state-owned enterprises. The Securities and Exchange Commission is also simplifying the procedure for bringing new companies to the market.

It intends that the present number of 209 listed companies should be increased in more than 300 by 1994, at the rate of about 100 a year. Mr Wang says: "Our situation is just the opposite. There are too many individual investors who lack the ability to verify information. Rumours often circulate in the market, which is very bad. It is thus necessary for us to increase the percentage of shares held by institutional investors in our market."

To 1994, and the Taiwanese civil service pension fund has been allowed to buy shares since October, but so far it has only invested a small fraction of its amount. It has available, Foreign institutional investors have also begun to take an interest after the government half-opened the door to investment fund investors.

So far, 15 investment funds have applied to invest a total of \$750m. Fourteen of these, worth more than \$100m each, have been approved, but so far only \$230m has been remitted into the country — and of that only a small amount has actually been invested in the stock market.

This lack of institutional investment is partly because of the heavy restrictions placed on foreign institutions, although the government promises these will be eased. At present, foreign institutions must keep their cash in Taiwan dollars and cannot remit the principal again for at least three months. Any dividends or capital gains must be repatriated and are closely monitored by speculators.

The SEC has a variety of measures to clean up the market. A screen-based system now matches orders on a first-come, first-served basis. A new book-entry system has been introduced, reducing the risk of fraud through forged share certificates. The commission's increased staff has also launched prosecutions for

insider dealing and market manipulation and suspended the licences of erring brokers.

All has helped make the Taipei exchange a duller, but more mature, stockmarket. However, there is still doubt that the biggest test behind the curtain: comparative stability of the Taipei market has been the memory of the crash.

KEY FACTS

Area	36,000 sq km
Population	20.32 million (end of 1990 estimate)
Head of State	President Lee Teng-hui
Currency	New Taiwan dollar (NT\$)
Average exchange rate	NT\$1 = US\$1.72 (1990)
US\$1 = NT\$26.57	
ECONOMY	
Total GDP (US\$bn)	142.6
Real GDP growth (%)	7.6
GDP per capita (US\$)	7,107
Components of GDP (%)	
Private consumption	53.4
Government consumption	22.8
Exports	50.4
Imports	42.5
Prices (% change per year)	4.4
Unemployment (% of labour force)	1.6

Source: Economist Intelligence Unit, Datastream.

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TAIWAN 3

Trade patterns are losing their old familiar shape, writes Andrew Bolger

Less to US, more from Japan

TAIWAN received a fillip this summer when the US unexpectedly supported its application to join the General Agreement on Tariffs and Trade (GATT). The export-oriented island also increased its exports by 12.6 per cent in the first eight months of this year, in spite of recession and growing protectionism in some of its main markets.

However, this success story is accompanied by significant shifts in underlying trade patterns which pose difficult questions for economic policy-makers. This year for the first time Taiwan's trade surplus with the US, its biggest export market, is likely to be smaller than its deficit with Japan, from which it imports many key components.

Exports to the US were down by 2.6 per cent to \$14.2bn in the first eight months of the year. Mr Chiang Pin-kung, vice-minister of economic affairs, said this was a satisfactory performance in view of the economic downturn in the US and the strength of the Taiwanese currency against the dollar.

The share of Taiwan's exports to the US fell from 23 per cent to 22 per cent in the same period. Mr Chiang said this was in line with the policy of reducing its dependence on the US, which is to receive almost half the island's exports, but he would like to see the figure stabilise at about 30 per cent level.

Imports from the US by 11 per cent to \$9.49bn, which also accords with Taiwan's aim to buy more goods following pressure from its main sponsor and ally. The net effect was to cut

Taiwan's surplus with the US by 21.7 per cent to \$4.75bn in the first eight months.

The drop in sales to the US was partly offset by a strong performance in Europe, where exports grew by 12 per cent to \$9.48bn. Imports from Europe were marginally down at \$6.66bn, so Taiwan's trade surplus with Europe more than doubled to \$2.8bn.

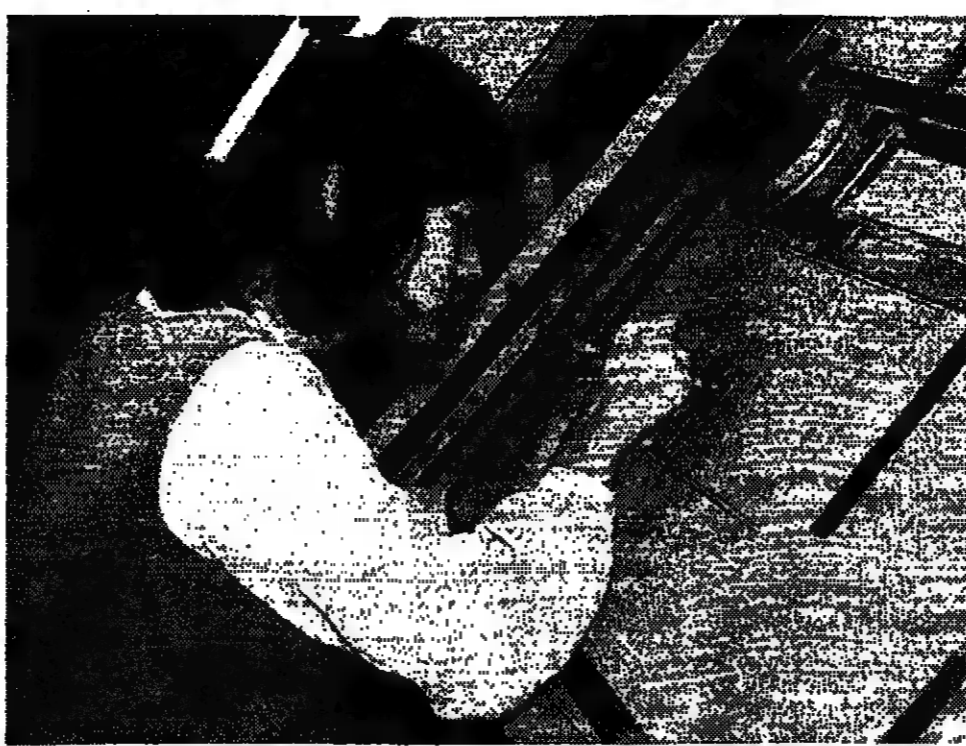
Mr Chiang said the success in Europe reflected a concerted effort by Taiwanese companies, many of which had set up offices there. The vice-minister said that while US consumers tended to put the emphasis on low price and the Japanese consumers were attracted by a combination of good quality and reasonable price which Taiwan was increasingly able to deliver.

One concern of the Taiwanese government is that as the single European market approaches, single-country quotas on Taiwanese products such as suits will be adopted by the whole Community. It has established an office in Brussels to lobby against such protectionism.

Taiwan has also been increasing trade with Japan by 20.9 per cent to \$6.1bn. Because so much of Taiwan's industry remains fairly low-technology, it depends on Japan for more sophisticated items such as advanced machine tools and microchips.

Mr Su Hsien-yang, a Taipei-based researcher, estimates that for every 1 US dollar's worth of Taiwanese exports, the island imports 66 cents of goods worth 28 cents from Japan. Mr Vincent Siew, minister of economic affairs, says: "For the last few years the Japanese deficit will become a more serious and difficult problem for us, and there will be new pressures to address it."

Mr Siew is confident that the deficit will prove a short-term difficulty, and reflects the current upgrading of Taiwanese industry, which is sucking in Japanese machinery and components. The government is seeking to diversify import sources, identify areas of over-dependence on Japan, sell more goods to Japan and encourage Japanese companies to buy more from Taiwan.



Precision work: designing telephone exchange parts at ITT subsidiary ITT Taipei

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There remains a strong fear, however, that the Japanese will continue to expand their control over the local economy, particularly if Taiwan joined entry in 1991 and then had in its imports of motor vehicles from Japan. Japan's structural links with the Taiwanese economy go back to the 50-year period until 1945 when it colonised the island, and in recent years many Japanese companies have supplied technology in exchange for a stake in the Taiwanese companies. Mr Siew said: "We do recognise that Japan is trying to increase its role everywhere, but we think we can manage to avoid control from Tokyo." Fear of losing control has led Taiwanese politicians when they consider their other big trading issue - the extent of trade with mainland China. Taiwanese exports to Hong Kong, many of which go on to mainland China, grew by 18 per cent to \$7.88bn in the first eight months of this year. Taipei announced it would allow the indirect importation of semi-finished goods from mainland China, in addition to the 158 types of agricultural

and raw materials currently permitted.

However, the government has also set up an alarm system which will monitor the entry and growth of individual indirect imports and exports, to prevent Taiwanese companies from becoming over-dependent on the mainland.

The Taipei government has recently shelved an application by the Cheng Shin Rubber International Company to invest \$20m in a tyre plant in China's coastal city of Xiamen. It would have been the largest Taiwanese investment in Communist China to date, but the government fears that Beijing could use its control over such projects to blackmail Taiwan.

Mr Siew emphasises that mainland China currently receives only about 5 per cent of Taiwan's total exports, and many of these goods will then be sent on to other countries. He admits there is considerable pressure from some in the private sector to allow direct trade with China, across the Taiwan Straits, although he says most experts think the government line that it should proceed cautiously.

The financial moment of truth has come

Liberalisation on trial

IS TAIWAN serious about becoming a regional financial centre, in the same league as Hong Kong and Singapore? The question arises because it has failed to live up to the government's rhetoric about "liberalisation and internationalisation".

The Taiwanese dollar cannot be traded internationally and foreign exchange dealing is still restricted. There is a negligible bonds market, no futures trading and overseas stockbrokers, bankers and insurers face tight regulation and control.

Yet change is coming. There have been few issues of corporate or government bonds and bonds only represent about 5 per cent of the Taipei securities market compared with more than 70 per cent in major world markets. Next year alone the government plans to raise about \$300bn (\$11.3bn) by issuing bonds to fund its Six Year National Construction Plan.

It is pressing ahead, although two years of government bonds earlier this year totalling \$100m did not do well. The caution of the financial authorities is understandable, given the recent volatility of the Taipei stock exchange.

When a forward foreign exchange market was opened in 1987, rampant speculation made it unusable within a few days. However, Taiwan's central bank, the Bank of China, was notoriously unresponsive, long before the realities of recent years.

It was blamed by many for "losing the mainland" in the "Cross-Strait" in 1949 through fiscal irresponsibility, and since then it has been a bastion of financial conservatism, control of the economy. It is all the more intriguing, therefore, that banking is the financial area which the government has moved most decisively to liberalise: until recently it was a cosy and highly profitable cartel, with 70 per cent of the banks state-controlled and a ban on new competitors.

Mr Peter Kuan, managing director of Barings Securities (Taiwan), believes there has been a shift in financial power towards the Ministry of Finance and away from the board of the central bank, which used to be almost as a second cabinet,

with governors of the bank then becoming prime minister.

New banking licences have been issued to 15 of the 19 investors groups which applied and which are mostly associated with large industrial conglomerates. They say more licences than expected were awarded because the government is determined that the liberalised banking system will not be dominated by a few of the larger industrial groups which control other sectors of the economy.

Giving the go-ahead to so many new banks has had a depressing effect on the Taipei stock exchange, where most of the groups behind the applications had to sell large amounts of shares. Mr Wang Chien-shien, finance minister, is confident that the opening up of the banking industry will lead to a more modern and sophisticated services being offered to private and corporate customers. However, the new banks' heavy capital requirement means that they and the state-run banks will have to compete hard for business in an environment where business can no longer enjoy a generous spread on their return on deposits and their lending rates.

Shortage of qualified staff will also be felt. The new banks are likely to be able to lure away staff from existing banks with higher salaries. Mr Wang said his ministry used to have 100 people in charge of all banking, insurance, trusts and money matters.

The number supervising banking has now been increased to 200 and there are 80 people overseeing insurance. Mr Wang admits that even this increased staff will not be

the manpower to audit all the banks. It will instead require banks to have their accounts prepared by Certified Public Accountants, and the ministry will have power to ask independent CPAs to audit any bank.

There is, however, a lack of qualified accountants, corporate lawyers, analysts and people with experience of financial instruments such as bonds and futures.

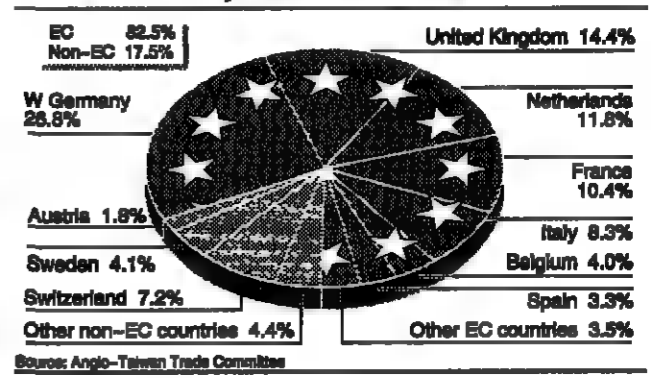
The safety net will also be inadequate in this liberalised banking market. The state-run Central Deposit Insurance Scheme has a capital base of only a fraction of the sum each of the new banks has been required to find. Mr Wang is seeking to increase the size of the fund next year, but says "in the meantime we hope we'll be lucky".

Nevertheless, the minister agrees that some of the weaker players will go to the wall. "If we allow too many banks to join this small market, we may encounter bankruptcies in this sector, but if you really want to make Taipei one of Asia's financial centres you have to be prepared to face these kinds of consequences."

There must be a real danger, however, that any banking failure would lead to a loss of confidence in the conservative system. Taiwan stands at the crossroads. It needs a liberalised financial system in order to attract outside investment to help fund its Six Year National Development Plan, which aims to redress the problems created by Taiwan's unbalanced economic miracle.

Andrew Bolger

Taiwan's European trade - 1990



Taiwan — Plant A Seed And Reap The Future.

The Republic of China on Taiwan has followed the path of free economy and achieved legendary success in its national development. This year, the government, continuing its progressive policies in the early 1950's, launched the six-year National Development Plan. Three-hundred and four billion U.S. dollars will be spent on upgrading the nation's infrastructure in an ambitious attempt at raising Taiwan to the status of a modernized industrial state.

Society has not been left behind in Taiwan's economic transformation. The liberal economic policy and the traditional Chinese emphasis on education have given a solid ground for the processing of democratization of the Republic of China. Unceasing efforts in the past years have made Taiwan one of Asia's most favorable places for investment. Each year, Taiwan turns out over 35,000 engineers and awards about 40,000 degrees in the hard sciences. Many of them have had years of overseas advanced training and working experience at the highest levels of research with major international firms.

Nature has cooperated in Taiwan's transformation. Situated at the center of the world's fastest growing region, Taiwan enjoys easy access to all of Asia's markets. Our experience in Asia offers exciting opportunities for joint regional investment. Not only can we support sophisticated high-tech development, but our local economy also presents both market and service investment opportunities. The Republic of China offers your investments the stability, sophistication, and confidence of a free society. Taiwan, the best place for your investment in Asia.

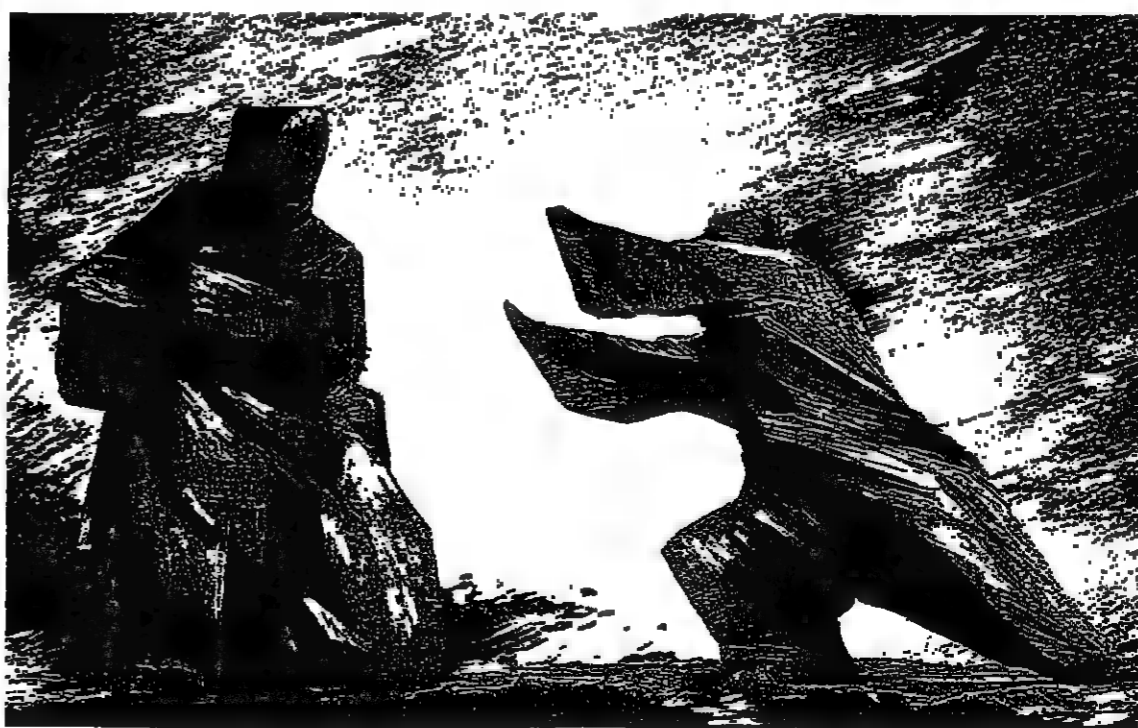
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The Republic of China on Taiwan is already a major player in regional organizations such as the Asian Development Bank. It has formally applied for membership of GATT, and is seeking to enter other international economic, cultural, and humanitarian organizations.

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TODAY'S
TAIWAN
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TAIWAN 4

THE SIX YEAR PLAN

A very big vote getter

WHETHER Taiwan's economic development over the 30 years should be called a miracle or merely phenomenal is debatable. Certainly, however, the government has concentrated on boosting GNP growth at the expense of everything else.

The result is a country that is rich on paper, but suffering a paucity of clean air, water and soil, electrical power, infrastructure, leisure, educational and recreational facilities and the means to get around with any semblance of convenience.

Not surprisingly, people are grating in Canada and emigrating.

The solution? The 10-Year National Development Plan, drawn up by the Council for Economic Planning and Development (CEPD), "to rebuild social and economic order and promote balanced development".

More than 700 projects are included in the plan, more than double the previous scale of the plan must impress Taiwan's citizens and foreigners alike.

Although Premier Hsu Feng (who is expected to be re-elected in passing, it is the government's hope that the year 1996, when the plan should come to fruition, coincides with the end of President Lee Teng-hui's term in office.

Mr. Hsu's term is expected to be the last of the KMT's rule in Taiwan. The plan is a tool of foreign policy. The implied threat that the KMT is unfriendly in Taiwan will not be allowed to participate in certain projects has recently opened diplomatic relations. The plan is set up as a quid pro quo for putting up with Taipei, getting Taiwanese offices abroad upgraded, or forcing companies to upgrade their facilities in Taiwan.

One ministry is expected to require a major contract to lobby its government to support Taiwan's entry to GATT. This was received with howls of protest and is unlikely to be adopted.

Raising national income is one of four key policy goals to be attained by the plan. Massive government spending on public infrastructure projects will, it is hoped, stimulate sluggish domestic demand and private industrial investment as a basis for sustained future growth.

The economy is targeted to grow at 7 per cent on average over the six years, but consumer prices are expected to rise by less than 5 per cent this year and less than 3.5 per cent annually for the rest of the period. Per capita GNP is to reach \$14,000 by 1996 from \$8,000 last year.

Large tracts of farm land will be given over to other uses. An increase in agricultural productivity will leave

the sector with zero growth to 1996.

Overall industrial growth will be 6.5 per cent a year, which manufacturing will expand by 6.5 per cent. Heavy industry (meaning that which is technology and capital-intensive) will account for 10 per cent of manufacturing output by 1996 up from the current level of 30 per cent.

Developing the industrial park is the second key goal. The plan calls for new coastal industrial zones and technology parks, building and improving highways, airports and highways, ensuring adequate supplies of energy and upgrading telecommunications.

The third and fourth goals are "promoting balanced regional development" and "raising the national quality of life". Policies for realising these have not yet been worked out in detail, but the CEPD is working on a scheme to develop Taiwan into self-contained "community hubs". Each will have its own employment opportunities, recreational, cultural and educational facilities, and be served by its own transportation network.

While there is some disparity of income between north and south, political observers claim that this is also partially intended to dissipate opposition. At present, anti-KMT and pro-Taiwan independence sentiment is heavily concentrated in the south and particularly in the cities of Kaohsiung and Tainan.

The government has managed to keep the political aspects of the plan in the background, but an open dispute between the Finance Ministry and the CEPD has erupted over how it is to be paid for.

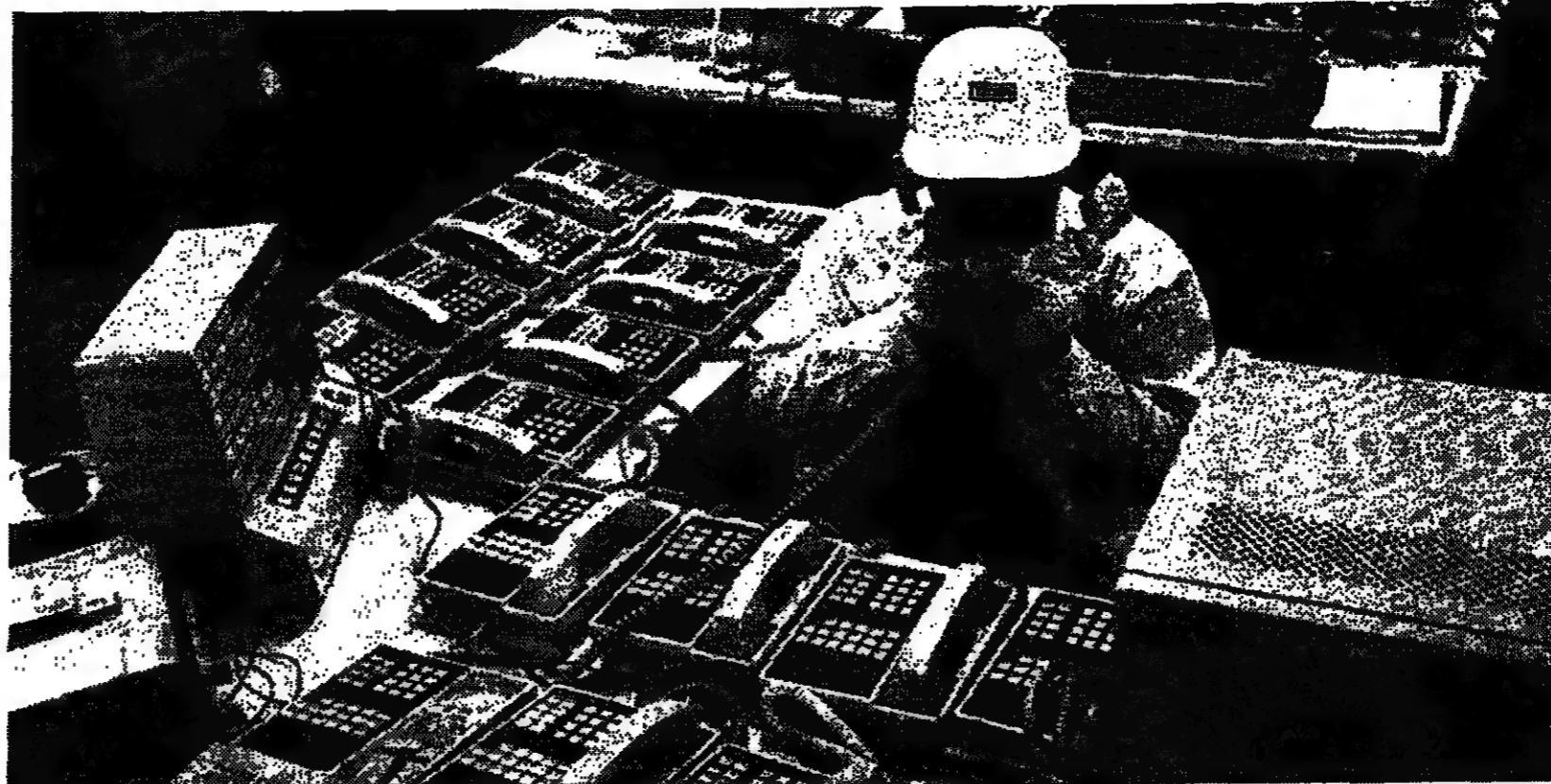
Of the T\$3.33 trillion total, the CEPD hopes to raise T\$3.08 trillion from the sale of government bonds. Then there is a special budget of T\$2.18 trillion for large projects that will pay for themselves in the future, such as the high-speed railway, expressways and urban mass rapid transit systems. This and the other T\$3.18 trillion are to come from new taxes, previous budget surpluses, and the privatisation of some 20 state-owned companies.

Mr Wang Chien-hsien, the finance minister, worries that the total cost of the plan will end up far exceeding the original figure, citing the 40 per cent over-run chalked up the government's Ten Major Construction Projects of the 1970s and 1980s.

Political stability is therefore a must if the financing for the plan is to work. Equally crucial will be confidence that the government will carry out the plan and that in 1996 it will have borne some visible fruit.

The government makes much of the promise that by 1996, Taiwan's per capita GNP will make it an advanced industrialised nation. But such has been the urban hype surrounding the plan that there will be ample ammunition for the opposition if by that time

Peter Wickenden



One of the 22,000 employees at Hsinchu science park: peace and quiet help to untangle crossed lines

In a quiet mountain setting, Taiwan encourages creative design

Far from the traffic fumes of Taipei

TAIWAN'S showcase science-based industrial park is only 10 kilometres from Taipei, but miles away from the traffic, pollution and heavily polluted capital, writes ANDREW BOLGER.

The advanced products and companies which the park was established to promote are also removed from the industrial assembly operations which are still typical of large parts of the island's economy. The park was established in 1980 - at Hsinchu, south-west of Taipei - by the government's National Science Council. It has attracted 111 companies.

They are working in areas designated as appropriate for moving Taiwanese industry "upstream" to high value-added activities: computers and peripherals, integrated circuits, telecommunications, optoelectronics, semiconductors, instrumentation, environmental and energy science.

The companies in the park now employ a total of more than 22,000 people, of whom nearly a third are university-educated engineers, including 170 with doctorates. The park offers holidays, low-interest loans, and factory lands in 100-acre plots.

Big groups such as Acer, Taiwan's largest personal computer manufacturer, and AT&T, the international telecommunications group, were among the first to move into the park. The National Science Council said its task had been to attract the best talent to the park, from where most of the entrepreneurs had come. Ms Angela Yao, of the NSC, said: "Ethnic minorities also do come up against a 'glass ceiling' preventing advancement when overseas. Here they can establish their own companies."

The park's physical setting is also an important factor. Hsinchu is surrounded by mountains and is close to the coastline. The mountains are set in pleasant parkland with

cinema and sports facilities. This emphasis on lifestyle was an important element in one of the park's main goals: attracting talent to Taiwan.

The park is close to two universities and an industrial technology research institute, all of which provide a ready source of prospective employees and carry out research work for companies on a contract basis. In spite of the park's success during its first decade, the NSC is now facing harder choices as the park fills up.

Ms Yao said: "It used to be first-come, first-served, but now we are being more selective." Some companies are suspected of using the park just as a tax shelter. The companies have been kicked out, although between five and 10 have left voluntarily. However, several have been required to strengthen their research and do more R&D.

Even the flourishing Acer has been asked to move some of its production activities to an industrial zone. The scale of success should also be kept in proportion. The park produces 83 per cent of all the integrated circuits made in Taiwan, but that is still only about 10 per cent of the amount the Taiwanese market needs.

Last year R&D accounted for only 1.1 per cent of Taiwan's GNP, compared with 2.5 per cent in Japan, according to the NSC. One problem is that many of the park's activities are not very high-technology in modern industrial terms. Computers and peripherals account for more than half the output from the park, but many of them rely on imports for their microchips.

It is significant that when Acer wanted to develop 486-DX microchips, it did so in a joint venture with Texas Instruments, the US electronics group.

Andrew Bolger visits the world's biggest maker of tennis racquets

How Mr Lo won game, set and match

KUNNAN ENTERPRISES claims to make about 40 per cent of the world's graphite tennis racquets. But half the group's output is sold under the label of competitors, such as Prince and Wilson.

Kunnan, whose own brand name is Pro Kennex, began business in a typical Taiwanese way, by making goods for other companies' labels as an original equipment manufacturer (OEM). Like other Taiwanese concerns it was reluctant to compete from its original product range.

The company was founded by Mr Lo Kunnan in 1969, making wooden badminton racquets in his home town of Feng Yuan, near to the central Tai-

wanese industrial city of Tainan.

As the badminton racquet market became overcrowded, Mr Lo moved into metal tennis and squash racquets and in 1977 began the first Taiwanese company to produce graphite racquets. Although Mr Lo, 40, has little education or technical training, his group is now a world leader in moulding, working and plating graphite, which it imports from the US and Japan.

Kunnan launched its own Pro Kennex brand 13 years ago. Mr Jeff Yao, director of international administration, said it was impossible to rely completely on OEM, as owners of brands might be tempted to switch their orders to other suppliers with lower costs such as Thailand or China.

The shift away from OEM was not without its problems.

Prince, the US sports group, took a relaxed view of the situation at first, but when the Pro Kennex brand began to become established, Prince cancelled its orders with Kunnan - at that time 30 per cent of the group's business.

Mr Yao said Prince returned about seven years because it could not get the same level of quality from other manufacturers.

He added: "There are always some tensions with OEM customers - their marketing people say 'no', but their purchasing people always want to buy from us."

Nevertheless, OEM still accounts for half the group's output of racquets, and Kunnan is happy to maintain it at that sort of level, which maintains full utilisation of plant.

Kunnan launched the Pro Kennex label by setting up agencies in the US, Europe and Japan. But after five years, the business had not grown as fast as expected, so the group bought out the agencies in its main markets and now does all of its own promotion and marketing.

The group has also sought to strengthen its brand name by producing tennis and squash shoes, tennis balls, and tennis rackets. Mr Yao says the group's shops are stocking these brands and those that succeed will have to offer a comprehensive range of highly-promoted goods for display. "In future, the real battle will be for shelf space."

Kunnan now also produces

graphite golf clubs, which account for about 7 per cent of group sales. Once again, the group started by producing graphite clubs on an OEM basis, but is about to launch its own Pro Kennex range of graphite clubs.

The market lessons which Kunnan had learned were very much to the fore when Mr Lo decided in 1988 to make his most ambitious diversification so far - into computers.

Using headhunters to acquire good computer people, Kunnan produced a range of IBM-compatible PCs, using microchips from the US, under two brand names - Arche, and the budget-level Kenitec.

Kunnan's real innovation has been on the marketing side. Learning the lesson of its sportsware experience, the group has not appointed agents but set up wholly-owned subsidiaries in its target countries - the US, France, the UK, Germany and Sweden.

In the US it has a chain of 50 shops which sell solely Arche and Kenitec PCs and accessories. The only products from other manufacturers are items such as printers.

The group also has a chain of 45 outlets in France and is about to open shops in the UK and Germany. Although computers now account for half of Kunnan's sales, they make a much smaller contribution to the Taiwan group's profits, which last year fell from T\$335m (\$14.7m) to T\$235m - largely because of market conditions.

The fact that Mr Lo's family still controls a majority of the group's shares makes it easier for him to make such a gamble, but the group is sure that its strategy is right.

PROFILE

A truly modern minister

MODERN laws and modern people are what Taiwan needs to become a major regional financial centre, says Mr Wang Chien-hsien, the finance minister.

Mr Wang is confident it will be done. Several important bills on banking, insurance, futures, gold trading, and securities markets are making their way from ministry to cabinet to parliament.

Only when they are passed by the parliament, which is almost permanently bogged down by filibustering and fights, will there be major advances towards internationalisation.

Mr Wang believes there are few deficiencies in the mass of existing law; but there are not enough qualified people to enforce it. Most of the smart people, he admits, are in the private financial sector making a comfortable living in illegal ways.

"I cannot say there is no manipulation of the stock market," he says, "but there is less than before." Since he took over as finance minister in spring 1990 the Securities and Exchange Commission has begun working with the Investigation Bureau under the Justice Ministry to bring suspected cases of manipulation and insider trading to court.

In addition, Mr Wang has drafted several hundred bright people into his ministry to add some impetus to reforms.

Educated at Harvard, the 33-year-old Mr Wang wears loafers and a crew-cut, and is impatient for change as any of the foreign critics. He is sending many of his new recruits abroad for training. "We should do that in a hurry. We want to catch up as quickly as possible."

When the stockmarket was in the final throes of its 50 per cent crash last year, Mr Wang moved quickly to open it to direct foreign institutional investment in the hope of introducing some health and stability. This year's performance suggests he has been successful.

"I am very happy with the degree of fluctuation in stocks this year. The market is now very stable." But this has been mainly because the millions of ordinary people who skipped work to bet on a stock have since abandoned the market out of better earnings.

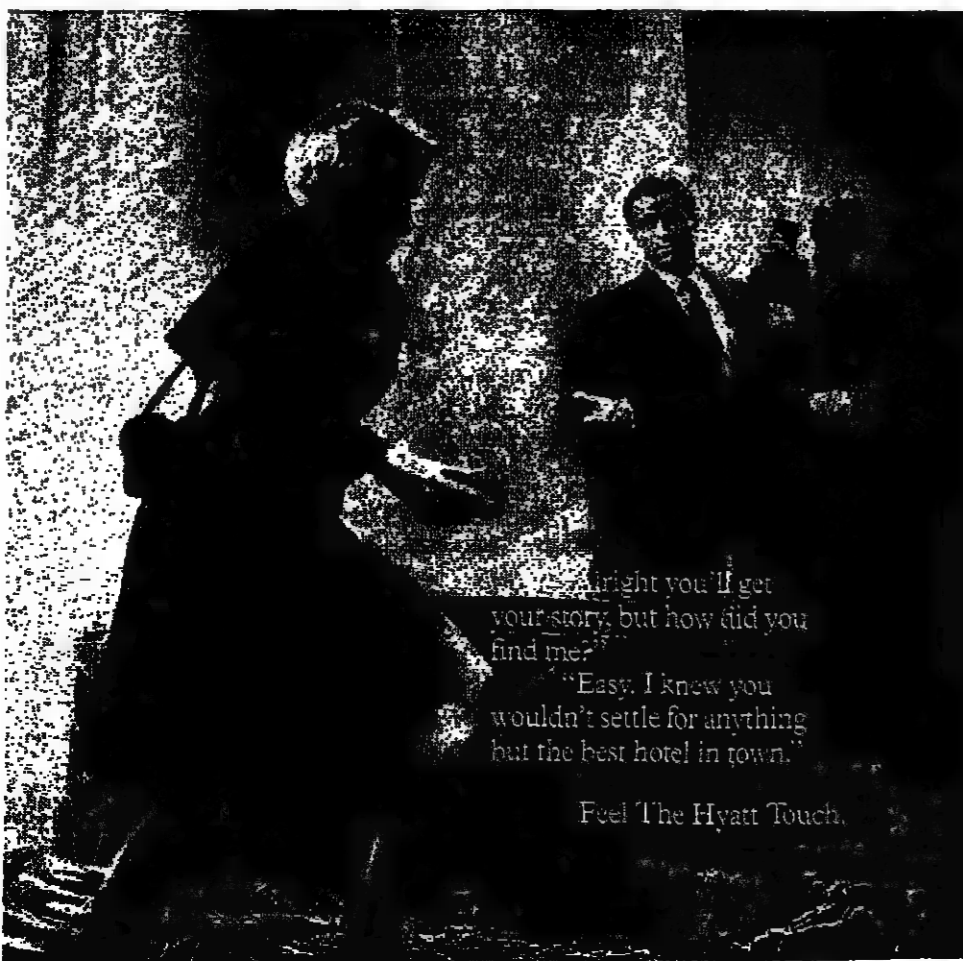
Foreign investment is still paltry nearly a year after the door was opened. Mr Wang is not disappointed. Nothing that price-earnings multiples on many Taiwanese stocks are generally still high compared with other markets, he believes foreigners are watching and waiting.

Once they are familiar with our market, they'll come in. If they're smart enough they'll be quick." Nevertheless, he awaits the Central Bank's agreement to a number of measures easing the restrictions on foreign investment. As the various bills get passed and the Ministry's new Monetary Affairs Bureau gets to work, the pace will quicken.

Mr Wang is keen to see foreign expertise raising local standards of service. A devout Christian and a forthright public servant, he is regarded from his previous post as vice economics minister in disgust at what he called widespread lack of respect for the law.

So many branches of financial activity are to be rationalised at once that future irregularities are likely. "But foreigners bring good, not bad competition. They don't break the law."

Peter Wickenden



Taipei, Taiwan

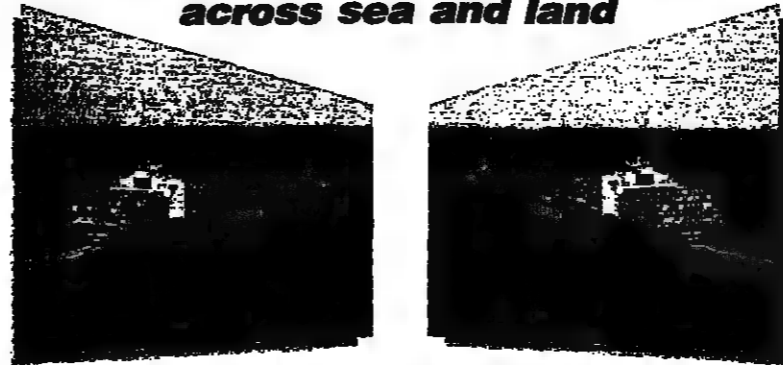


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ECONOMIC VIEWPOINT

Emu: Thatcher right — but don't worry

By Samuel Brittan

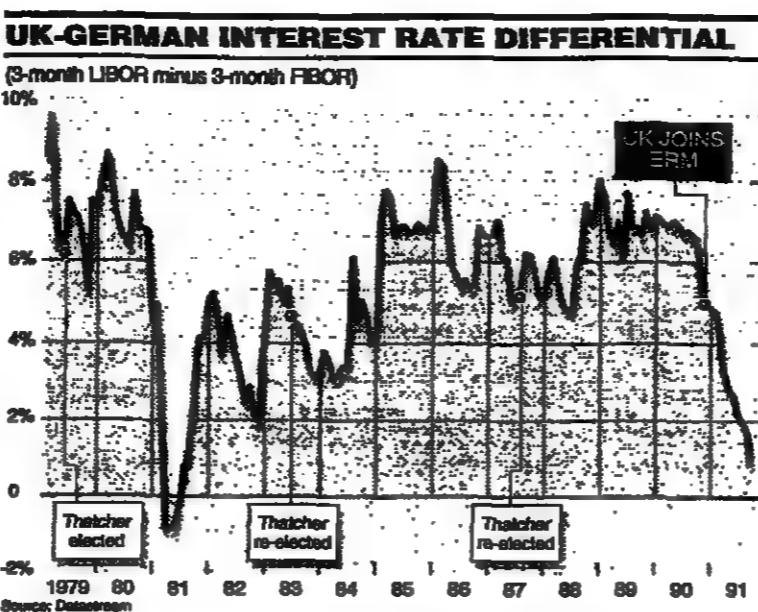


Of course regional problems will remain. But the risk of a generalised depression arising from the current inflation offset by interest rate will disappear (the leading example being Spain itself).

But man does not live by sound money alone. Will not a single currency also mean a single fiscal policy? In one sense, yes. The fiscal element in monetary union is widely misused. Some people think of a body in Brussels or Strasbourg telling the British Parliament what VAT rates are to be, or laying down common rates of income tax or thresholds. No doubt that is what many Eurocrats would like to happen. But what is required to make monetary union work is something much more...

If I hated the idea of the Ecu with the Queen's head, I would be worried

less politically explosive. All that is really needed is some binding agreement to prevent member countries running excessive budget deficits. Indeed the negotiators in Brussels at the inter-governmental conference have gone quite far in defining "excessive" means. Such a fiscal accord does not require European agreement to agree on the level of government spending, still less on common tax rates (which after all differ among the US states). The need is just for an accord stating that



the gap to be bridged by borrowing will be kept within agreed limits.

None of this is crying for the moon. The world already had a de facto single currency before the first world war, when the dollar, pound, mark and franc were simply different names for the gold coinage. A balanced budget was also the norm in the peace. These ideas can all be translated into modern practices and terminology.

Meanwhile, few people realise quite how far UK inflation is being eliminated due to the combined effects of ERM membership and the demand squeeze. It is this inflationary kill-off which gives the Tories their best economic claims at the election.

The credit for both belongs to someone who has been made the scapegoat for his misfortune by less scrupulous Tories, namely Nigel Lawson. The UK would never have got near ERM membership without the long campaign by the former chancellor to show that it was merely a Euro-gesture, but long overdue economic grounds.

Less well recognised was Lawson's courage in raising base rates to the unpopular height of 15 per cent to break the inflationary momentum. He acted in the face of scurrilous per-

sonal abuse from politicians supposedly on his side — and despite the sniping at his sterling policies from the Thatcher circle, which caused interest rates to rise higher than would otherwise have been necessary. Because of these unpopular actions, inflation is now set to fall further than it did in the last recession (although that was a severe one) and on a more durable basis. Tomorrow's headline year-on-year Retail Prices Index will be distorted by the timing

From now on chancellors will be 'no club golfers' — and no harm done

of mortgage interest changes. It will nevertheless understate the true counter-inflationary momentum. CBI pay settlements are now down to 5% per cent — a computation which disregards the one in 10 companies where settlements have been suspended or postponed. The pay figure must be seen in conjunction with the renewed rise in manufacturing productivity since the end of 1990. The turnaround has come earlier than in the previous deep recession of 1980-81 and has been much stronger.

For, although manufacturing output is much less than a time round, manufacturing employment has dropped just as steeply. As a result, output per hour has been rising at an annualised rate of 8 per cent so far this year, and Keith Skeoch, of James Capel, makes a plausible case that it will rise to 10 per cent in 1992. Norman Lamont was quite right to say that headline UK inflation is almost certain to drop below the German rate in the next month or so even if he did not add that this would be because of opposite distortions in the two countries' price indices. Much more significant is the likelihood of the underlying gap between the two countries closing in the course of 1992. Core inflation is itself a stimulant to consumer spending, without waiting for a prior expansion in the supply.

Lawson's notion of being a "one club golfer" relied on the fact that the inflation rate, from now on however, will not be the interest rate. In other words they will be "no club golfers". I shall shed no tears. The economy is not a game of golf. If you are looking for a system with the maximum number of economic weapons the model is the late and unlamented German Democratic Republic.

The first year of British ERM membership, when base rates fell by 4% percentage points gave an altogether misleading idea of the scope for unilateral interest rate changes. The moves were possible because of the extremely large differential between British and German rates, which was originally 6 percentage points and has been eroded to 1 percentage point as credibility has been established. It is unlikely that sterling's jittery status will be enough to keep the interest rate differential against the pound. But they do confirm that the foreign exchange market still has a slight bias for the prospect of a Labour government. More important, they show that sterling cannot afford any more interest rate reductions for which the initiative is rumoured to come from No 10 rather than No 11 Downing St (as with the last half per cent cut).

Assuming that the Chancellor will only have a marginal influence on UK base rates. From now on interest rate policy will be run at — and in practice still German — levels. The main weapon against UK inflation will no longer be domestic monetary policy, but the knowledge that monetary cost increases cannot be passed on in international markets. The Chancellor will only have a marginal influence on UK base rates. From now on interest rate policy will be run at — and in practice still German — levels. The main weapon against UK inflation will no longer be domestic monetary policy, but the knowledge that monetary cost increases cannot be passed on in international markets.

These are important changes in the rules of the game which will occur even under the present hard version of the ERM, let alone a fuller monetary union. It is time to be more fully prepared for them.

LOMBARD

Hurt feelings, burnt rubber

By Ian Davidson

Last weekend in the Netherlands a meeting of the European Community's Council of Ministers gave rise to an extraordinary scene as the French and German foreign ministers, Mr Roland Dumas, the French foreign minister, and his German counterpart, Mr Hans Dietrich Genscher, engaged in an unseemly chase in an attempt to pre-empt the presidential election in the Netherlands. The Dutch government, led by Jacques Delors of the Commission.

They failed, but their schoolboy display of pushing and shoving did not end there. Dumas and Genscher announced they would be holding their own meeting tomorrow to discuss the dimension of the European political union, which they would "coordinate with other member states on the same wavelength".

Since the French and German foreign ministers have (almost) apologised in their Dutch colleague, they have denied any intention of a courtesy towards the Community presidency, and tomorrow's states turn out to be nothing more than another bilateral Franco-German meeting, with the modest addition of the Spanish foreign minister to make up the numbers.

The history of the EC boasts many memorable chases, and one is tempted to dismiss this one as a temporary breakdown in an otherwise impeccable diplomatic machine; but in fact it may tell us something quite interesting about what is going on.

In the first place, these 12 foreign ministers have been negotiating with each other almost continuously for several months. The political union treaty is a project with massive implications for the future, and the Yugoslav crisis is already spelling out some of these implications before the Community is quite ready. Nobody should be surprised by a little breakdown. But there is obviously more to it than that. Even if the for-

sign ministers were over-tired and scratchy, the histrionics were symptomatic of more profound issues.

The obvious explanation is that the French were incensed by last week's Anglo-Italian summit, which was a development of a European defence identity closely linked to NATO. By contrast, France and Germany have repeatedly argued for a European defence identity closely linked to the Community; and Dumas and Genscher may be expected to repeat that argument on Friday.

Last weekend's flare-up may have deeper implications, however. Under President Mitterrand, the French have long been accustomed to playing the Pled Pigeon to their Community partners; but now they may be afraid of losing control of the pro-Nato flavour of the Anglo-Italian paper. But what really upsets them is the signature of the Italians, whom they have assumed they could count on in the unconditional pro-Community stance. The French boast of their bilateral links with Germany, but they do not care for the bilateralism of others.

But last weekend's flare-up by the Anglo-Italians was trivial compared with the sin of the Germans, who committed the double fault of (a) signing a bilateral treaty with the US in which (b) they proposed the creation of a co-operation council between NATO and the countries of eastern Europe. The French accuse the Germans of making gratuitous concessions to US ambitions, of expanding NATO's political role, and of weakening the Community.

In the wake of Sunday's chase, the French PR line was a mass of confusion and contradiction, and no wonder. President Mitterrand knows that the Community must have a federal vocation. He also knows on the question of defence as the ultimate litmus test. But he further insists that the federal principle does not apply to defence. No wonder his foreign minister eventually had to break out with a good car chase.

LETTERS

Government may function best when sovereignty is seen as divisible

From Mr Brian Reading.

Sir, Why do politicians treat sovereignty as if it were indivisible, to be retained or lost? It is divisible. The real issue is at what level each function of government is best performed. Emptying dustbins should probably be left to local government. Regions ought perhaps to control the police. National governments should have the say on education and the European Community on air traffic control. It is unlikely that everybody will agree with these examples. But that is the point. The debate, as with rights in America, should be about who controls what.

Talk of a federal strait-

jacket is nonsense. In those cases where government best determined and performed at the Community level, it should be able rigorously to impose European regulations. The same is true of national, regional and local government. The issues are how, democratically, laws should be made at all levels of government and how sovereignty should be divided between them.

Freedom is best ensured by the dispersion of sovereignty, its evolution upwards and devolution downwards. The current was the Thatcherite goal. During the past decade power has been increasingly concentrated in Westminster. Given our unfair electoral sys-

tem and the massive power of our executive, together with the fact that governments at both parties have a habit of running the country, a diminution of Westminster's area of authority seems inevitable.

One should also remember, when politicians beat the nationalist drum or when Europeans press referendum, that all have a vested interest in maintaining the pre-eminence of Westminster and its largely undemocratic system of ministerial dictatorship.

Brian Reading,
Export House,
25-31 Ironmonger Row,
EC4V 3PN

Extraordinary conclusions

From Dr Frank A Heller.

Sir, You report the employment secretary, Michael Howard, saying "Works councils are a good idea". (October 9) A significant majority of people who responded to a departmental inquiry believed that mandatory works councils, as proposed by the European draft directive, would undermine existing employee involvement and seriously damage business efficiency.

These are truly extraordinary conclusions in view of the uncontented fact that such works councils have not ruined German business efficiency, nor that of other European countries which long ago adopted mandatory schemes.

What is particularly serious is the poor scientific basis on which the employment department is prepared to make such statements. You report that 445 organisations were sent questionnaires, but the minister's conclusions were based on only one-quarter of that number. This is no way to conduct marketing or politics and it is no way to impress our European partners that we are sufficiently serious to make a useful contribution to their deliberations.

Frank A Heller,
44 Wood Vale,
London N10 3DN

Greenpeace and the 'irrationality' of pollution

From Mr Stephen G Sawyer.

Sir, Peter Knight's article (Business and the Environment, September 10) concerning Greenpeace's campaign to stop Albright and Wilson from polluting the Irish Sea contained the most astounding assertion by the company's spokesman, Mr John Pickup, which cannot pass uncorrected. He stated: "We have never imposed a load on the environment which our level."

This will be news to the magistrates who tried the case in August for doing just that in a court brought by Greenpeace, the

first private prosecution of a company under the Water Act 1990. The company revealed in court that it had exceeded its pollution licence at least periodically over the previous two years and had deliberately done so during experiments last year in a bizarre attempt to refute our allegations.

We have accordingly initiated a private prosecution of Albright and Wilson which details five separate pollution offences concerning illegal discharges of heavy metals into the Irish Sea. This is hardly a path our legal advisers would have suggested we pursue had

the company's spokesman as reported in your article been correct.

In addition, official National Rivers Authority data shows that almost 70 per cent of the times the NRA has tested the discharge, it has been over the legal limits it has set.

Finally, Greenpeace is accused by Mr Pickup of "horrible irrationality". To us it is the legalised polluting of the world's oceans which is horrifyingly irrational. Stephen G Sawyer,
executive director,
Greenpeace International,
Keizersgracht 176,
1016 DW Amsterdam

Britain's charitable sector needs stronger supervisory body

From Mr Ansel Harris.

Sir, It is expected that the Queen's speech at the end of the month will include legislation based on the Charity White Paper.

On May 1990 you published a letter from me, "Oxfam inquest — fresh blood". An inquiry into the Charity Commission had just been announced following Oxfam's proposal to launch a campaign urging continued sanctions against South Africa. The inquiry was to investigate whether Oxfam's campaigns involved "undue political activity". The inquiry suggested that this investigation, fourth in 10 years, was conducted by a commissioner who would

new and fresh in the subject, better still, be an outsider, a member of the legal profession. In May 1991 the results of the inquiry were published, but were deficient on many counts. First, in March 1990 the Oxfam trustees were cautioned by the Charity Commissioners after they found evidence that "makes it clear that Oxfam has taken part in political controversies within foreign countries". They were also "required to give their assurance that things of this nature will not be published in the future".

And yet, a year later, after finding "that some of their current campaigning work was political and not charitable", the commissioners decided not to use their powers because "they accept that the trustees acted in good faith".

The second deficiency relates to the commissioners' confirmation at the outset of the 1990 inquiry that a complaint raised about the political thrust of "an education booklet, Palestine & Israel, would be considered as part of the commissioners' inquiry". For it subsequently transpired that when Oxfam was informed of the topics to be reviewed in the light also of the guidance given in Oxfam's publication, it was excluded.

These specific deficiencies demonstrate the urgent need for the Charity Commission to use the powers it already has and to be strengthened in areas where it needs strengthening.

"The annual turnover of a charitable sector is now some £13bn" (1989 Charities White Paper), government funding and tax concessions to over £2.5bn. The sector requires a stronger watchdog and supervisory authority than it presently enjoys. It is to be hoped that proposed legislation will acknowledge this and provide for it.

Ansel Harris,
national honorary treasurer,
Oxfam (1980-1986),
21 Ferncroft Avenue,
London NW5



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INTERNATIONAL COMPANIES AND FINANCE

BAe investors urge board shake-up

By Roland Rudd in London

BRITISH Aerospace's institutional investors are demanding further management changes to halt the fall in share price, which yesterday dropped to closing 377p, 3p below 380p rights issue price.

Sir Graham Day, temporary chairman, has already promised to strengthen the board, but big shareholders want him to accelerate the process to ensure a permanent chairman.

In particular, they are pressing for the appointment of a managing director with overall responsibility for BAe's business, to replace alongside Mr Dick

Evans, chief executive.

One investor said: "There is no question that Dick Evans is a great salesman and the only man capable of dealing with the Al Yamamah business. But he needs a managing director from outside to work with him."

Al Yamamah is the Saudi Arabian programme of military spending, which has contributed more than £1.1bn (\$1.4bn) of revenue to BAe in the past few years.

BAe last night said that Mr Graham, in response to shareholders' concerns, had initiated a scrutiny of how the company is run alongside a search for a permanent chairman.

The investigation is expected to lead to the appointment of one or two operating managers, which could include a managing director.

However, BAe warned that it was not about to make an announcement just to please institutional investors. The company also stated that it had not yet decided which new appointments were necessary.

Big shareholders are concerned that, without such a statement, BAe's shares may continue to fall in the next few weeks.

The 2-for-5 issue closes on October 23 and is designed to swap equity to ease the company's short-term cash needs. "It is not too

clever," said one institutional investor. "The cash call will almost certainly be left with the sub-underwriters." This is of course unless the share price rises.

Institutional investors have resigned themselves to the fact that if any City of London group is interested in breaking up or bidding for BAe it is unlikely to make itself known until after the rights issue.

Trading in the ill-paid shares yesterday reached just 3.1m, with no signs of any stake building.

Earlier in the week, Société Générale shareholders approved by an overwhelming 99.9 per cent majority the company's 2432m rights issue.

Société Générale surges to FF1.8bn

By William Dawkins in Paris

SOCIÉTÉ GÉNÉRALE, the private-sector French bank, yesterday reported a 29.4 per cent rise in group net profits for the first half after a drop in provisions and a rise in banking income.

This recovery marks a sharp improvement from last year, when Société Générale announced a 25 per cent profit fall for the 12 months to December.

However, it comes among a mixed bag of first-half results from the French banking sector, with profits declines from Crédit Lyonnais and Comptoir National d'Escompte de Paris, and sparkling increases from Banque Nationale de Paris, and the state-owned leader, and from Société Générale's smaller private-sector rival.

The positive trends seen in the first half have continued in the third quarter, said Mr Marc Viénot, Société Générale's chairman.

Group profits rose from FF1.41bn (\$247m) in the first six months of last year to FF1.83bn in the same period of 1991. Shareholders' funds rose by 23.5 per cent, from FF27.1bn to FF33.3bn over the same period, bringing net assets per share up by 11.4 per cent, from FF10.15 to FF11.50bn.

Net banking income rose by 9.3 per cent to FF17.67bn, slightly ahead of a 7 per cent rise in management costs to FF12.17bn in the first half, so allowing operating profits to rise by 14.2 per cent to FF5.50bn.

Outstanding client loans rose by 11.3 per cent to FF57.70bn, while company borrowing led the way, with a 12.3 per cent increase, as against 7.5 per cent for private clients. Clients' deposits rose by 9.1 per cent to FF32.58bn over the same period.

Provisions fell by 21.3 per cent to FF2.63bn, mainly due to a reduction in provisions on share stakes. Société Générale maintained its rate of cover on its 10 main country debts, to more than 66 per cent.

Telecom companies plug into worldwide alliances

Hugo Dixon on a new framework for the industry

THE world's leading telecommunications companies are jockeying for position as they seek to form alliances which may set the framework of the industry for the next decade.

In Geneva, where the chairman and chief executives of the top companies have gathered for a giant exhibition which takes place every two years, discussions have been intense.

There are at least three separate initiatives to form international alliances under the name of:

• Mr Jean Vallée, the chairman of France Telecom, was seen to be close to Mr Helmut Rieke, chief executive of Germany's Deutsche Telekom, and Mr Haruo Yamaguchi, chairman of Japan's Nippon Telegraph and Telephone, last night to try to persuade them to join his new Synordia venture, which aims to provide global telecommunications for business customers.

• Mr Earl Roberts, president of MCI, the largest US long-distance operator, was trying to break up Synordia and attract Deutsche Telekom into a rival project. "It is important for the Germans to keep their options open," he said.

• American Telephone & Telegraph, the largest US carrier, is holding discussions which might lead to another alliance. Mr Robert Allen, the chairman, is understood to have held a meeting yesterday with Mr Rieke to persuade the German operator to ally with AT&T.

The alliance in the telecommunications industry



Haruo Yamaguchi: may join Synordia venture

Industry is similar to that experienced in the telecommunications equipment industry four years ago when it was restructuring itself into about half-a-dozen large international groups. The alliances seem unlikely to be finalised this year but they are expected to be formed within the coming months.

Following the liberalisation of telecommunications in Japan, the old national monopolies are seeking to expand beyond their borders. The main aim is to establish global networks that cater to the needs of large businesses.

BT has been the most aggressive player with the launch of Synordia last month. It decided to go it alone in the US market, basing the venture in Atlanta, Georgia, but is anxious to link-up with

the German and Japanese carriers to get access to their markets.

BT's move has caused consternation in some parts of the industry, which is used to national phone companies co-operating with one another to handle lucrative international telephone calls.

MCI's rival project involves expanding Infonet, a data communications venture it already owns with 11 other carriers, including Deutsche Telekom.

Mr Roberts put BT's chance of succeeding at "zero, none, negative," because it did not have a US partner. He said that expanding Infonet is a more realistic option.

Deutsche Telekom is in demand from all the consortia because it is the largest carrier in Europe and it is strategically positioned in the heart of Europe.

Mr Allen said he did not want to be rushed into joining one alliance or another. "To do the best [deal] does not mean to do the first thing," he said.

Another Deutsche Telekom consortium said there were three concerns with Synordia. First, France Telecom, with which the German company has a relationship, was not happy about Deutsche Telekom teaming up with BT. Second, under BT's proposal, Deutsche Telekom would have only a 26 per cent stake. Third, there was no US partner.

NTT would not be drawn on whether it would join BT's alliance. "We are at present studying and considering Synordia," said Mr Yamaguchi.

KOP falls into red as banking crisis deepens

By Enrique Tessier in Helsinki

KANSALLIS-Osake-Pankki (KOP), Finland's largest commercial bank, slid into the red during the first eight months of the year. The bank incurred a net loss of provisions and taxes of FM318m (\$77.4m), compared with a FM325m profit during the same period in 1990.

Credit write-offs, at the centre of the trouble, troubled the country's banking system, surged to FM763.4m from FM362.2m. This strengthens the view that credit losses at all Finnish banks will rise this year to FM65m against FM23m in 1990.

The bank's profit from financial operations rose by 11 per cent to FM1.2bn. Other losses fell 10 per cent to FM1.1bn from FM1.2bn. Expenses were FM1.91bn, the same as in the corresponding period in 1990.

Dr Jaakko Lassila, president, blamed the rise in KOP's credit write-offs on an exceptional loss of FM250m from foreign exchange transactions and FM500m from assets in deals with Mr Pentti Kouri, New York-based Finnish financier.

The country's bank supervision board yesterday expressed concern over the increase in credit losses in Finland, which doubled in the first eight months of this year to FM30bn.

London Fox probe widens

By Richard Waters in London

THE LONDON Futures and Options Exchange (Fox) has admitted in a statement to generate the impression that they were more popular with investors than was in fact the case, it has emerged.

Evidence of the trading in a number of commodities contracts, uncovered in the widening investigation into London Futures activities, will be a further blow to the exchange, already in disarray after revelations of potentially illegal activity in its property futures market.

Fox was forced to suspend its property futures contracts last week after it had lost several hundred thousand pounds trading them on its own account.

Mr Robert Blundell, the for-

mer chief executive who resigned at the weekend, has admitted to "initiating" certain trades, though he has said that he had not been motivated by personal gain.

It has since emerged that Mr Blundell encouraged brokers to trade the contracts by issuing indemnities to protect them against loss.

Following disclosure about the misdemeanours in the property futures market, investigations were launched over the weekend into other contracts traded on Fox.

Evidence has now emerged of similar trading by Fox in several other contracts. All are traded on Fast, its automated trading system, rather than on the floor of the exchange.

Alongside property futures,

which were launched in May, Fox has been accused of commodity contracts on Fast Rubber, which was launched in May 1990, but trading in which has now been suspended through lack of activity; rice, launched in November 1990; and arabica coffee, launched in March 1991.

It is thought that the latest misdemeanours concern these contracts.

Despite the widening evidence of wrongdoing at Fox, the Securities and Investments Board, the regulator which authorises it as a Recognised Investment Exchange, has been unable to launch its own investigation of the market.

The Financial Services Act, under which it operates, does not give it the power to investigate exchanges.

Roche sales up 17% at nine months

By William Dullforce in Geneva

ROCHE, the Swiss pharmaceuticals and chemicals group, yesterday reported a 17 per cent increase in sales of \$5.7bn (\$6.7bn) in consolidated sales for the first nine months compared with the corresponding period last year.

With this positive development, Roche is expected to continue in the final quarter, and barring extraordinary developments, 1991 profits should show another improve-

ment, Roche said. Last year, the group posted net earnings of SF948m and a cash flow of SF1.6bn on sales of SF9.67bn.

Turnover grew by 17 per cent in the first nine months, both in local currencies and Swiss francs. Sales of pharmaceuticals climbed by 22 per cent to SF12.25bn; part of the increase stemmed from the inclusion from September of sales by Nicholas Laboratories,

the European over-the-counter drugs business which Roche bought from Sara Lee Corporation.

Vitamins and fine chemicals showed a 13 per cent rise to SF2.1bn while sales of fragrances and flavours grew by 21 per cent to SF1.8bn.

Reduced demand in the US led to a 5 per cent fall in sales in the diagnostics division where sales also reached SF1.1bn.

All of these securities having been sold, this announcement appears as a matter of record only.

New Issue

7,000,000 Shares

PAGENET
Paging Network, Inc.

Common Stock

International Offering
1,400,000 Shares

These shares have been distributed outside of the United States by the undersigned.

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ABN AMRO	Banque Indosuez	Cazenove & Co.	Deutscher Bank
Dresdner Bank	Nomura International	Paribas Capital Markets Group	
NM Rothschild & Sons Limited	Société Générale	Swiss Bank Corporation	
UBS Phillips & Drew Securities Limited		Vereins- und Westbank	

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5,600,000 Shares

These shares have been distributed in the United States by the undersigned.

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October, 1991

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The undersigned acted as financial advisor and arranged the private placement of the limited partnership interests.

Merrill Lynch & Co.

July 1991

of Redemption
ASLK-CGER IFICO
¥ 4,000,000,000

Guaranteed Withdrawal
Redemption Amount ¥ 4,000,000,000

NOTICE IS HEREBY GIVEN that in accordance with Condition 7.(c) (1) of the Notes the Issuer has elected to redeem all of the Notes on 14th November, 1991 (the "Redemption Date") at their then Redemption Amount.

The Redemption Amount will be calculated, in accordance with Condition 7.(d) of the Notes and then available to Noteholders at the specified offices of the Paying Agents.

Payment of the Redemption Amount will be made, on and after the Redemption Date, against presentation and surrender of the Notes together with all unexercised Coupons, at the specified offices of any of the Paying Agents. On the Redemption Date all unexercised Coupons relating to such Notes (whether or not attached thereto) shall become void and no payment shall be made in relation thereto.

Payment of Coupon Number 3 will be made in the normal manner against its presentation and surrender on and after 14th November, 1991.

Bankers Trust
Company, London
10th October, 1991

Agent Bank

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CHILE

The FT proposes to publish this survey on October 31 1991.
This survey will be read in 160 countries worldwide, including Chile where it will be widely distributed. In Europe 89% of the professional investment community regularly read the FT.
If you want to reach this important audience, call Paul Maraviglia on 071 873 3447 or fax 071 873 3079.
Data source: Professional Investment Community 1989 (PIFC Inc.)

FT SURVEYS

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Bankers Trust
LEAD FROM STRENGTH.

INTERNATIONAL COMPANIES AND FINANCE

IBM intensifies products push into European market

By Alan Cane

INTERNATIONAL Business Machines (IBM), the world's largest computer-maker, yesterday spelled plans to sell its products and services throughout Europe under other manufacturers' labels.

The aim is to make available virtually all hardware, software and services to other manufacturers to brand and sell as their own. The European announcement follows similar moves of intent in the US.

Mr Jack Hockley, IBM's European general manager for "original equipment manufacturer" (OEM), the company aimed to become the premier provider for information technology (IT) and non-IT related technology, parts and products. "Our goal is to persuade European manufacturers to source from Europe rather than the Far East," he said.

The OEM approach to distribution is common in the computer business but is comparatively new to IBM, which traditionally builds products only for its own customers.

Although it is the largest chip manufacturer in the world, the production

channelled into its products. IBM is working with Siemens, the German electronics group, on large silicon memories, a proportion of which will reach the market.

IBM believes that an aggressive move into the OEM market will:

- Broaden its market reach. In Japan, for example, Mitsubishi is marketing some of IBM's high-end mainframe computers giving IBM access to Mitsubishi's customers and to public sector opportunities.
- Utilise fully IBM's production capacity. While competitors are retreating from manufacturing because of falling gross margins, IBM's automated facilities are highly efficient and OEM demand will help to balance production economies.
- Pre-empt competition. As a result of an OEM deal, IBM included earlier this year, Wang, the US minicomputer-maker, while IBM mid-range machines in the customer market rather than those of its competitors.

The policy change illustrates how keenly IBM wants to market share by

available method, its competition intensifies. Its share of the market for personal computers has been slipping, but it intends to expand it by selling its products in other PC markets.

IBM has global ambitions in the OEM business. It estimates that the worldwide OEM market will be worth about \$100bn annually by 1993, and that one-third of the total will be generated in Europe. The company plans to capture about 3 per cent of the global market within two years, rising to 10 per cent within four.

While its first target will be IT markets, it is also looking at the electronics, aerospace, automotive and medical equipment businesses which, it believes, will open up nearly half its OEM business in a few years.

IBM's OEM deals include those with Siemens, for large storage devices; Apple of the US, for hard disk drives; and the US, for personal computers, workstations and mid-range computers.

Groupe Bull of France has bought IBM's large disk drives for more than five years.

Stora and SCA warn of sharp declines

By John Burton in Stockholm

STORA and SCA, the two biggest Swedish forestry companies, have predicted sharp profit falls for the year as both concerns reported a decline of more than 30 per cent in earnings for the first eight months of 1991.

Stora yesterday downgraded its profit forecast for the year to SKr1.5bn (\$244.5m) from its earlier estimate of between SKr2.2bn and SKr2.5bn. The 1990 profit amounted to SKr2.8bn.

Profits after financial items for the eight-month period declined by 31 per cent to SKr1.2bn.

Earnings would fall to SKr650m for the period if the engineering operations of Feldmühle, which Stora sold this summer, are excluded.

Stora blamed the decline, which was sharper than expected, on weaker demand for paper in Europe and production overcapacity for flat paper and magazine paper, with US producers cutting prices for their paper exports in Europe.

Profits were also hurt by lower prices for luff pulp, with operating earnings for the pulp divisions falling by 54 per cent to SKr33m. The timber division reported a loss of SKr43m due to construction activity in the Nordic region.

Operating profits were almost unchanged at SKr3.1bn, but the deficit for net financial items rose to 46 per cent to SKr1.9bn.

Sales for the period remained unchanged at SKr44.6bn, excluding the effects of acquisitions and disposals.

A further 500 jobs will be cut, increasing the initial amount of planned redundancies to 3,500, as part of a rationalisation programme that includes the shutdown of a pulp production facility.

SCA reported that its earnings after financial items had fallen 33 per cent to SKr1bn, excluding income from the sale of several businesses. If these were included, profits declined by 11 per cent to SKr1.6bn.

It predicted that profits for the year would fall to SKr1.4bn, down from SKr1.9bn in 1990.

Operating profits were almost unchanged at SKr2bn, while the deficit for net financial items more than doubled to SKr966m due to interest costs associated with SCA's takeover of Redback in the UK last year.

However, operating profits during the four-month period fell 43 per cent to SKr739m against SKr1.3bn in the first four months of 1990.

Runway delays ground ANA plans

Stefan Wagstyl finds the airline hampered by a lack of airport slots

MR AKIO KONDO, president of All Nippon Airways, the fast-expanding Japanese airline due to make its debut on the London Stock Exchange today, has one big headache: Narita Airport.

Other problems pale in comparison with the difficulty in getting new slots at Tokyo's main international airport. Even the current slowdown in international business and the disruption caused by the Gulf war are just "short-term" difficulties, says Mr Kondo.

However, there is no solution in sight to capacity problems at Narita, where expansion has been held up for over 15 years by local farmers and pressure groups opposed to the construction of a new runway. Now there is room for extra flights as Japan's second largest airport at Osaka, which is under construction, is set to open in 1993. But the international expansion is severely hampered, says Mr Kondo. ANA has plans for an ambitious international network with authorities in Japan and elsewhere.

Starting with a flight to Guam, a Pacific island, it has developed routes to London, Washington, Beijing, Paris and London. Two new destinations are planned - Singapore and a city in Germany. However,



Part of the ANA fleet: the airline is keen to develop its international network

stand why the situation cannot be resolved quickly. But at least the work is continuing in the no-problem area, leaving the problem area for later. As far as revenues are concerned, ANA does not suffer much more than 86 per cent of its scheduled flights. But its international expansion is severely hampered, says Mr Kondo. ANA has plans for an ambitious international network with authorities in Japan and elsewhere.

Starting with a flight to Guam, a Pacific island, it has developed routes to London, Washington, Beijing, Paris and London. Two new destinations are planned - Singapore and a city in Germany. However,

Mr Kondo is not despondent. ANA remains committed to growth in both domestic and international services. In the year to last March, total revenues grew 11 per cent to ¥1,355.5bn. International revenues were up 13.5 per cent to ¥211.5bn. The airline's passenger numbers, however, did not keep pace with the expansion of international services, so costs rose and profits fell, down 21 per cent at the pre-tax level to ¥245.5bn.

ANA, with one of the largest aircraft buying programmes of any airline, has no intention of cancelling any of its purchases because of the downturn in the market. Eleven big jets are due for delivery this year, adding to the fleet of 125 aircraft. A further 25 are on order as of 1995, and 35 after that.

UTDC gains provincial support

By Bernard Simon in Toronto

THE ONTARIO provincial government has agreed to provide temporary financial support for UTDC, the Greater Toronto urban transport equipment-maker, while negotiations proceed to find a buyer for the company.

Uncertainty over UTDC's future ownership has delayed several contracts which it hoped to win earlier this year, and the company has been unable to meet its payroll and other commitments.

An Ontario government official said yesterday that the aid was not a long-term bailout, but was designed "to stabilise the situation in order to ensure contracts can proceed."

Lavalin Industries, the

per cent stake in UTDC for sale earlier this year. Bidders include AEG Westinghouse Transportation Systems of Pittsburgh and Montreal-based Bombardier. The Ontario government owns the remaining 51 per cent.

UTDC is presently delivering 100 carriages to the City of Los Angeles and has won a contract to build a subway station in Ankara, Turkey.

Its other business includes the operation of the Singapore transfer system at Singapore airport and the maintenance of a commuter rail line in southern Florida.

The contracts that have been delayed include a substantial order for subway cars from the Toronto Transit Commission.

The Ontario official said the government hoped to finalise negotiations on the sale soon. The province is uncertain whether it will maintain its equity interest in the equipment-maker.

Montreal Trustco, the financial services arm of BCE, Canada's largest holding company, has pulled out of negotiations to buy Central Guaranty Trust, a large national trust company, writes Robert Gibbons in Montreal.

Central Guaranty was put up for sale early this year by its parent company, Central Capital, as part of a debt reduction programme. Central Capital, in turn, is controlled by Mr Leonard Ellen, a Montreal financier.

Fannie Mae sets profits record

By Patrick Harverson in New York

THE FEDERAL National Mortgage Association (Fannie Mae), the largest provider of residential mortgage funds in the US, has reported third-quarter net income of \$360.7m, an increase of 17 per cent over the same period a year ago.

The record third-quarter earnings boosted profits for the first nine months to just over \$1bn.

In the three months to end-September, Fannie Mae also set a record for the highest net interest margin in its history, the largest volume

mortgage-backed securities issued in any one quarter.

Other features of the quarter included an \$18.6m increase in net interest income, which stemmed from a \$3.1bn rise in the average net mortgage balance and the positive effects of the sale of low-coupon mortgages and repurchase of high-coupon debt in the second quarter.

The value of outstanding average mortgage-backed securities issued by Fannie Mae was \$330.1bn, up \$19.4bn in the quarter.

Profits for last year were 10 per cent higher than in the previous three months, but still below the 1990 record.

The Student Loan Marketing Association (Sallie Mae), which owns almost a third of all guaranteed loans to US students, has reported third-quarter net income of \$87.2m, up 12 per cent from \$77.7m in the first three months of 1990.

Net income for the first nine months of 1991 was \$250.1m, up from \$230.1m in 1990.

P&G sees slight drop in earnings

By Karen Zagor in New York

PROCTER & Gamble, the US consumer products giant, warned shareholders that it expected slightly lower earnings in the first quarter.

Mr Edward Artzt, chairman and chief executive, said: "Despite strong growth in volume, we expect first-quarter earnings to be slightly lower than last year's first quarter, which was particularly strong, accounting for 31 per cent of our total earnings for the year."

In the first quarter of last year, P&G earned \$555m, or

\$1.57 a share, on revenues of \$6.55bn.

Mr Artzt told shareholders at the company's annual meeting that unit volume for the quarter had risen 5 per cent overall, with 3 per cent growth in the US and a 13 per cent improvement internationally.

He blamed the decline in earnings on higher investments in product innovation and geographic expansion. Mr Artzt also cited the impact of a strong dollar, lower pulp prices and the costs related to the recent acquisition of Max Factor.

Mr Artzt said that retail sales were up in August, and the consumer confidence index, which is measured against a base year of 1985, dropped from 76 per cent in June to 74 per cent in August, but rose to 75 per cent in September.

P&G plans to invest more than \$400m after-tax in product initiatives and global expansion in the coming year. This would be about 10 per cent of its average investment in each of the past three years.

Dow Jones results tumble 32%

By Alan Friedman in New York

DOW Jones, the US financial publishing group, owns The Wall Street Journal, the financial news service, and the Dow Jones Index. Revenues for the first three quarters of the year were 18 per cent down, at \$1.26bn.

The company's information services division, which includes Factiva and the Dow Jones Information Services group, reported a 10 per cent rise in operating income for the third quarter on revenues of \$145m, up 17 per cent from \$124m a year ago.

Operating income in the financial publications unit, which includes The Wall Street

Journal, Barron's magazine and other publications, more than doubled to \$1.1m in the quarter, but from a very low base of \$2.7m. Revenues in this division were up 0.4 per cent to \$164.5m.

Advertising income at the Journal dropped 7.8 per cent in the third quarter and 13.1 per cent in the first nine months of the year.

Ottawa Newspapers, the community newspaper publisher, suffered a 20 per cent decline in operating income, to \$1.2m, on revenues that were 1.5 per cent lower at \$56.87m.

Operating income in the financial publications unit, which includes The Wall Street

Journal, Barron's magazine and other publications, more than doubled to \$1.1m in the quarter, but from a very low base of \$2.7m. Revenues in this division were up 0.4 per cent to \$164.5m.

Advertising income at the Journal dropped 7.8 per cent in the third quarter and 13.1 per cent in the first nine months of the year.

Renison Goldfields in A\$86m share placement

By Kevin Brown in Sydney

RENISON Goldfields, the Australian mining group which is 40 per cent owned by Hanson of the UK, yesterday announced a private placement of shares to raise A\$86m (\$US\$58.5m).

Mr Campbell Anderson, managing director, said the proceeds would be used to reduce the group's net debt, which grew by A\$231m to A\$442m in the year to the end of June.

The placement will reduce Hanson's holding to 40 per cent because of an Australian Stock Exchange regulation preventing the placement of shares in associate companies. Renison said the company was "acceptable" to Hanson.

The group said the placement would comprise 17.9m shares at A\$4.80 each, a discount of 6 per cent on yesterday's closing price of A\$5.13.

Renison spent A\$328m on development last year, largely in the Forera gold mine in Papua New Guinea and its mineral sands operations in Western Australia.

Capital spending is forecast to fall in 1992 to A\$250m, mostly on Forera and the Hunter Valley gold mine in New South Wales.

Renison reported a 20 per cent fall in net profits last year, from a record A\$100m to A\$80m. The group said the reduction was caused by weak commodity prices and the effects of restructuring in Australia and elsewhere.

The group is forecasting a significant improvement in profits for the current year, but the result may be depressed by weak prices for mineral sands products and tin.

Oce-Van Der Grinten advances

By Ronald van der Krol in Amsterdam

OCE-VAN Der Grinten, the Dutch photocopier and office equipment group, reported a 28 per cent rise in third-quarter profit, helping to lift results for the first nine months by 15 per cent.

Net profit rose to F1 22.6m (\$11.7m) in the third quarter, while profit for the first nine months increased to F1 68.9m from F1 60.6m.

The third quarter was OCE's best three months so far this year. In the first and second terms it posted profit increases of 5 per cent and 14 per cent respectively.

New products again made an important contribution to the growth in sales and profit. OCE forecast that full-year net profit would be clearly higher than the F1 85.7m posted in 1990. Under now, OCE had said only that results would show a rise in 1991.

Sales in the third quarter were up 14 per cent at F1 625m. Operating income, which includes interest income from financial leases, rose by 36 per cent to F1 50m.

OCE said it would pay an interim dividend of F1 0.90, unchanged from the 1990 interim pay-out.

Amended Notice of Redemption

To the Holders of:

Merrill Lynch & Co., Inc.

Liquid Yield Option Notes Due February 21, 2006 (Zero Coupon-Subordinated)

Redemption Date: Any Business Day from and including December 18, 1991 to and including November 15, 1991, as elected by the Holder.

NOTICE IS HEREBY GIVEN that Merrill Lynch & Co., Inc. (the "Company"), pursuant to the provisions of the Indenture dated August 15, 1989 (as supplemented by a First Supplemental Indenture dated as of October 7, 1991) between the Company and Chemical Bank (the "Indenture"), has elected to redeem and will redeem on the Redemption Date (as defined below) all of its outstanding Liquid Yield Option Notes due February 21, 2006 (Zero Coupon-Subordinated) (the "Notes") issued under the Indenture at the Redemption Price (as defined below). On the Redemption Date, the Redemption Price will become due and payable with respect to each applicable Note, and original issue discount (and any interest thereon, as described below) shall cease to accrue on and after the Redemption Date. As used herein, the "Redemption Date" with respect to any Note shall be any Business Day from and including October 18, 1991 to and including November 15, 1991 on which the Holder of the applicable Note presents such Note for redemption at an address designated below; provided, however, that the "Redemption Date" for any Note presented for redemption prior to October 18, 1991 shall be October 18, 1991, and the "Redemption Date" for any Note presented for redemption after November 15, 1991, or for any Note never delivered, shall be November 15, 1991. The "Redemption Price" for any Note having a Redemption Date of October 18, 1991 shall be \$331.09 per \$1,000 principal amount, and the "Redemption Price" for any Note having a Redemption Date after October 18, 1991 shall equal \$331.09 per \$1,000 principal amount plus accrued interest on such amount at a rate of 8% per annum calculated in accordance with the provisions of the Indenture from, and including, October 18, 1991 to, but excluding, the Redemption Date applicable to such Note. The Company has also announced a tender offer for the Notes at a price of \$336.57 net per \$1,000 principal amount. Notes should be presented for payment of the Redemption Price as follows:

By Mail:

Chemical Bank
P.O. Box 25996
Church Street Station
New York, New York 10008

By Hand:

Chemical Bank
Corporate Towers
55 Water Street, RM 294
New York, New York 10038

Chemical Bank
Umschlag 30
P.O. Box 174126 D-6000
Frankfurt/Main 71, Germany

Chemical Bank
Wid Strand
London WC2R 1EX England

Kreditbank Brussels
Arenbergstraat
B-1000 Brussels, Belgium

Banque Internationale a Luxembourg S.A.
2 Boulevard Royal
2953 Luxembourg Ville, Luxembourg

The Conversion Rate in effect is 5.31 shares of common stock of the Company per \$1,000 principal amount of the Notes. After the Redemption Date, the right to convert the Notes will terminate. Holders wishing to exercise their conversion rights should deliver their Notes to the addresses above on or prior to the Redemption Date.

Dated: October 8, 1991

By: Merrill Lynch & Co., Inc.

Under the Interest and Dividend Tax Compliance Act of 1983, we may be required to withhold 20% of any gross payments made within the United States to certain holders who fail to provide us with, and certify under penalties of perjury, a correct taxpayer identifying number (employer identification number or social security number, as appropriate) or an exemption certificate on or before the date the Notes are presented for payment. Please therefore provide the appropriate certification when presenting your Notes for payment.

*Trademark of Merrill Lynch & Co., Inc.

This CUSIP number has been assigned to this issue by an organization not affiliated with the Trustee of the Company and is included solely for the convenience of the holder. Neither the Company nor the Trustee shall be responsible for the selection or use of this CUSIP number, nor is any representation made as to its correctness on the Notes or as indicated in any redemption notice.

MEDIOBANCA

SOCIETA PER AZIONI
SEDE SOCIALE: MILANO, ITALIA
CAPITALE: L. 1.000.000.000.000

Notice of Ordinary General Meeting

Notice is hereby given that an Ordinary General Meeting of Mediobanca will be held at the Company's Head Office in Via Filodrammatici 10, Milan, Italy, at 10.00 a.m. on 28th October 1991 in the first instance, and any adjournment thereto at the same time and place on 29th October 1991, for the following business:

- 1) The Accounts for the year ended 30th June 1991, the Directors' and Statutory Auditors' Reports and resolutions thereon.
- 2) Election of Directors.
- 3) Election of Statutory Audit Committee and fixing of the Committee's remuneration.
- 4) Appointment of Auditors pursuant to Italian Presidential Decree No. 136 dated 31st March 1975.

Under Article 8 of Mediobanca's Articles of Association, shareholders who have at least five days prior to 10th October 1991 lodged their shares at the Company's Head Office or at any Branch Office of Banca Commerciale Italiana, Credito Italiano or Banco di Roma (or at Monte Titoli in the case of shares managed by it) are entitled to attend the meeting as presentation of an admission ticket.

Carrefour

SALES (taxes included) AS OF SEPTEMBER 30, 1991

	Sep. 1991 (in FF millions)	% Sep. 91/ Sep. 90	First nine months ended Sep. 30, 1991 (in FF millions)	% ended Sep. 91/ Sep. 90
Group sales*	10,192	43.8	76,744	29.3
France	7,286	48.6	52,553	28.0

* Including the sales of Mediobanca and its subsidiaries.

Excluding Mediobanca and Eurochemie, sales of Carrefour in France increased by 4.3% on September 90 and 8.5% on a cumulative basis and Group sales increased by 15.1% on September 90 and 15.7% on a cumulative basis.

As of September 4, 1991 Pryca, Carrefour's Spanish subsidiary, opened its thirty-second store in Alcala (Madrid). In September, the new formula of the "Carrefour Newspaper" has been sent to the 900,000 subscribers and customers of Carrefour in France.

Bristol-Myers' Aids drug wins approval from FDA

By Daniel Green

THE US Food and Drug Administration (FDA) yesterday approved DDI, a Bristol-Myers Squibb drug, making it one of the few officially sanctioned AIDS treatments.

The other is Retrovir, an AZT, made by Burroughs Wellcome.

DDI, to be sold under the name Videx, is authorised for use by patients with AIDS who seem to be losing weight or causing an opportunistic infection.

The price of DDI is in line with industry expectations. The 100-mg tablet is \$17.75, a price that after mark-ups during distribution, is expected to be \$20.00.

This compares with a wholesale price for Retrovir of \$2.200. It is a similar situation to that of Retrovir.

some had feared and might provide relief to Wellcome shareholders, who feared increased political pressure on the company to cut its prices.

Furthermore, the FDA is likely to approve this approval as it is a life-saving drug. "They could not have afforded to wait for the drug to be further tested," said a pharmaceutical industry analyst.

The combination of DDI's price and the FDA's tight lid on who should receive it means that Retrovir will remain the first choice for AIDS.

The reluctance of the FDA to allow DDI to be prescribed more widely is largely because of the side-effects recognised in more than 100 cases of Retrovir.

Molex slips to \$14.9m

By Barbara Durr in Chicago

MOLEX, a leading US maker of electronic connectors, saw net income fall in the third quarter by 34 cents.

The company's highest sales since the third quarter of 1990 were recorded in the third quarter of 1991, when sales rose to \$1.21bn, up 1.7 per cent from \$1.19bn a year ago.

The price of Molex shares in the third quarter was \$14.9m, down 1.7 per cent from \$15.1m a year ago. The price of Molex shares in the third quarter was \$14.9m, down 1.7 per cent from \$15.1m a year ago.

ahead by 9.6 per cent, to \$187m from \$170.6m a year. Income per share fell to 34 cents from 37 cents.

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MUM launches Berjaya bid

MALAYAN United Manufacturing (MUM), the cement and property unit of Malaysian United Industries, has formally launched a partial bid for Berjaya Group.

The bid, which is being made through a private placement of MUM shares, is for 33 per cent of the group, raised to personal bids to 51 per cent from 33.5 per cent.

The Berjaya Group has, in turn, a 30.8 per cent stake in MUM, which it has acquired since July when Mr Tan launched his hostile bid.

MS1.43 compared with MS1.43 on Monday.

The MS218m (\$US\$78.6m) bid is 33 per cent of the group, raised to personal bids to 51 per cent from 33.5 per cent.

The Berjaya Group has, in turn, a 30.8 per cent stake in MUM, which it has acquired since July when Mr Tan launched his hostile bid.

INTERNATIONAL CAPITAL MARKETS

Fresh round of preferred stock issues expected

By Richard Waters

THEFT to the capital adequacy rules of US banks, proposed by the US administration on Tuesday, is a new round of preferred stock issues, though few analysts expect this to do much to boost the availability of credit in the US.

US BANKS' RELIANCE ON PREFERRED STOCK

Bank	%
Chemical	26.4
Mellon	25.9
Citibank	24.1
Continental	23.5
Marquette	21.9
Chicago	20.1

As at 30.9.91. *Preferred stock as a proportion of total capital.

total, some of the largest US money market banks are already up against, or over, the ceiling allowed for such capital.

Under current rules, preferred stock can represent up to 25 per cent of tier one capital, a limit which the Bush administration is now proposing to raise to 30 per cent.

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Institutional investors flex their settlement muscles

Norma Cohen on concerted move to set industry standard for electronic trade confirmation

IN AN unusual flexing of muscle, some of Britain's largest institutional investors have taken one of their most pressing back office problems into their own hands.

Rather than leave the development of a key aspect of trading systems to regulators or the stock exchange, they have banded together to dictate to vendors the structure of a trading system that all will use.

The institutions, led by the Fidelity Investments, hope to gain a "critical mass" of institutional users who, once they have bought the system, will be able to set an industry standard.

In the process, they are hastening the advent of an international standard for electronic trade confirmation, replacing a patchwork of systems - the institutions hope to cut office costs and pare down to hours a process that now can take days to complete.

The institutions say that unless trades can be electronically confirmed, there is little hope of complying with the Group of 30's target of settling all trades within three days of each transaction.

"We control an awful lot of power. We hand out huge amounts of commission," said Mr Chris Smith, transactions manager at US-based Fidelity Investments, which is spearheading the effort.

Last Monday, Fidelity hosted a meeting of 21 institutional shareholders who viewed presentations from four of the largest trading system vendors. The four are US-based Depository Trust Company, Canada-based Thomson Financial Services, Financial Models Corp and GE Information Services. A fifth vendor, Reuters,

declined an invitation to make a presentation, saying it was already testing its own system.

"What we are trying to do electronically is to get trade confirmation in three hours. Not, as is currently the case, in three days, if we're lucky," said Mr Alastair Reid, a director at Morgan Grenfell Asset Management.

But Mr Reid and others acknowledge that, once such a system is in place and widely used by participants, it could be adapted for other purposes, including settlement or even off-exchange trading. Thus, the institutions, who account for roughly 90 per cent of the volume of trading on the London Stock Exchange, are laying the groundwork for an alternative to the exchange.

The system, envisaged by the institutions, will allow for nearly instantaneous confirmation of transactions in all types of securities in any market.

Thus, a UK fund manager could buy within hours the shares he has purchased on the French bourse and begin to take steps needed to settle the account.

Trade confirmation is the process which confirms that a transaction has occurred at agreed terms. It is the link between trading and settlement, and failure to confirm trades exposes participants to significant market risks.

Until now, institutions have left it to the exchanges or to vendors of trading systems to come up with solutions to their back office problems. This has forced brokers to install hardware of several vendors in order to satisfy their clients, and the clients to have no one system which all their brokers used.

Fidelity's Mr Smith said that the system will be a point of sale for the interbank market.

in allowing vendors to continue developing systems on an ad-hoc basis. "I was concerned that this would be a plethora of systems and that there wouldn't be any uniformity," he said.

Meanwhile, the London Stock Exchange has been painfully slow to develop a system, known as Taurus, and has not yet even begun to deal with electronic confirmation.

This compares with other European financial centres, such as Germany, which already have linked electronic trading and settlement.

Also, institutions were further angered by the decision last June by the SWIFT board of directors to deny them access to the interbank market.

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The practice, known as "parking", would have given Guarantee's investment portfolio the appearance of stability and value, and would have allowed the insurer to escape a state tax on corporate bonds.

Merrill issued a statement confirming it was co-operating with the SEC in its review of the Guarantee Security bond transactions, but denying that it "engaged in any illegal or unethical activity".

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Dispute on pricing of Prudential Finance issue

By Simon London

THE international bond market has been in a state of confusion since yesterday, reflecting in wide disagreement among bankers about the correct level of pricing for the day's new issues.

Prudential Finance, the funding arm of the UK insurance company, came with a \$300m 10-year deal, lead managed by Credit Suisse First Boston. The bonds carry an 8 1/2 per cent coupon and were priced to yield 7 1/2 basis points more than US government bonds.

Some firms said the yield spread was at least 10 basis points too narrow for an insurance company of this credit quality. Others said the maturity was too long and the deal too large. Yet some participants in the deal reported no problem in placing their allocations of paper. They said Euro-dollar investors were currently extending the duration of their bond portfolios to longer maturities and ready to take on corporate risk. The lead manager

held the bonds at the fixed re-offer price of 99.94 throughout the day.

CSFB also lead managed a \$250m 10-year deal for Daimler-Benz, the German motor manufacturer. The deal was priced to yield 30 basis points more than Canadian government bonds, again considered far too tight by some participants, aggressive but fair by others.

Demand for Canadian dollar bonds has slackened slightly over the past few days following weeks of heavy issuance. Against this, Daimler-Benz is among the most respected corporate borrowers in Europe and attracts strong retail buying. Again, the deal was held at the fixed re-offer price of

99.94 throughout the day. The syndication of an Ecu5bn five-year issue for the European Finance Corporation, the private sector arm of the World Bank, also proved controversial. The syndicate was dominated by Portuguese banks, yet placement for bonds denominated in Ecu5bn is concentrated elsewhere in Europe. The deal appeared to run smoothly during the morning session, but in the afternoon the price began to slide as London-based banks declined to take paper from the syndicate at the issue price.

From an issue price of 100 1/2, the bonds were quoted as low as 99.15 in the afternoon session before late buying at the 99.94 levels restored confidence in the issue.

By Patrick Harverson in New York

MERRILL Lynch, the Wall Street firm, yesterday denied allegations that during the 1980s it had engaged in illegal "parking" of junk bonds on behalf of a troubled Florida insurance company.

The allegations surfaced as a San Francisco newspaper reported that Securities and Exchange Commission was investigating Merrill's role in an alleged "parking" by Guarantee Security Life Insurance to improve its results by hiding its ownership of risky, high-yielding corporate bonds.

Guarantee Security, the sixth largest insurer in the United States, is under review by regulators in August amid fears that it would become insolvent.

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Merrill Lynch denies illegal 'parking' of junk bonds

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UK COMPANY NEWS

OFT refers Lloyds Chemists' bid

By Jane Fuller

LLOYDS CHEMISTS' \$88m bid for MacCarthy, which owns the Savory & Moore chemists chain, has been snubbed, at least until next year, by a reference to the Monopolies and Mergers Commission.

Lloyds had seemed home and dry in the three-cornered takeover battle for MacCarthy, which had recommended its bid. It spoke for 76 per cent of the equity through acceptances and a stake.

It joins UniChem, a rival bidder on the MMC's agenda. Both have been referred because of concerns about competition in the wholesaling of prescription drugs. Lloyds distributes to its own chain of 635 chemists' shops, while UniChem is a leading wholesaler alongside A&A's Vestric subsidiary, each serving roughly 28 per cent of the 11,800-store market.

Had Lloyds bought MacCarthy, its total number of pharmacies would go up to 810, bringing it closer to Boots, the retail market leader with 1,070. Boots also does its own distributing.

Mr Allen Lloyd, chairman and chief executive of the acquisitive group, said he was "very surprised and a bit angry" at the Office of Fair Trading's decision.

"I am trying to grow the company behind Boots and I can't understand why I'm being handicapped. We are smaller than Boots and that's what's hurting the most."

The reference leaves Grampian Holdings, the Scottish mini-conglomerate, with the only cleared bid, worth nearly £70m. MacCarthy's share price fell back from 287p to 253p yesterday, 1p below the level of Grampian's bid. But MacCarthy has said that it will "certainly not" recommend the Grampian offer.

At Lloyds' peak share price of 285p, its offer valued MacCarthy's stock at 306p. Lloyds' price slipped from 278p to 273p yesterday. The bidding is that if it is cleared by the MMC, which has a deadline of January 17, its bid will go straight back on the table. UniChem has also made clear its continuing interest.

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Allen Lloyd, feeling very surprised and a bit angry

The OFT seems to be concerned about the danger of a duopoly developing in the wholesaling of prescription drugs, involving UniChem and Lloyds.

The recent entry into the market of Mediopharma, a Dutch company that bought MacCarthy's wholesaling business, is seen as a healthy counterweight to a back-

ground of declining numbers of regional wholesalers.

Lloyds said that it already deals with Mediopharma and would continue to do so. About a quarter of its prescription drug requirements come from wholesalers.

However, Mr Michael Watts, director of the British Association of Pharmaceutical Wholesalers, which includes Vestric and Mediopharma, said he welcomed the MMC's review of the industry.

He complained that self-distributors such as Boots and Lloyds supplied their own lines of profitable lines of prescription drugs, leaving the vast majority of unprofitable ones to the wholesalers.

"Yet they get the same margin from the Department of Health as we do," he said.

Mr John Richards, stores analyst at County NatWest, said: "The only thing clear to me about competition policy is the concern about vertical integration. And anything concerning health in the run-up to a general election is likely to be called into question."

See Lex

Managing director goes as 3i restructures

By Charles Batchelor

MR DEREK Sach, a group managing director of 3i, the UK venture capital company which plans a flotation early next year, will leave the company at the end of this month in what is called "a restructuring of the senior management team".

The departure of Mr Sach, 43, reduces the number of group managing directors to two and the executive committee to four members. Mr Sach is responsible for 3i's UK investment activity. Other executives are involved in the shake-up, 3i said.

Mr David Marlow, chief executive, will take specific responsibility for UK investment. Following Mr Sach's departure and will be supported by two UK investment directors, Mr John Platt and Mr Brian Larcombe.

Mr Sach joined 3i in 1972, became a member of its executive committee in 1988, and was appointed to the board a year later.

3i has undergone two shake-ups - leading to 180 job losses in the past 18 months - in response to the tougher economic climate and in preparation for a public listing. However, Mr Sach's departure, which was announced to staff on Tuesday, was not linked to the flotation, 3i said.

In July, 3i reported a drop in net revenues to £38m (£59m) for the year to March 1991 and a quadrupling of provisions from £25m to £125m. Earlier this month it won final backing from its bank shareholders for a public flotation in the form of an investment trust.

Helical Bar, the property development, investment and trading company, yesterday reported a pre-tax loss of £269,000, compared with a £1.59m profit for the six months to July 31.

Mr Michael Slade, chief executive, blamed the turnaround on historically high interest rates and the low level of trading.

"There is little we can do than stand still for the next 12 months. Interest rates may be coming down, but they have remained high historically," he said.

Earnings per share dived to 0.2p (4.4p) but the interim dividend is maintained at 2.4p. Mr Slade warned that the year would be a "long, hard haul" with little sign of a significant recovery in the market.

Sales more than halved to £21m (£46.2m), while operating profit fell from £11.3m to £7.7m. Gross rental income of £8.6m accounted for 87 per cent of gross profits.

Property sales of some £23m helped reduce borrowings by £16m to £126m, which still represented gearing of 170 per cent. Mr Slade said he was confident that borrowings would fall further as more disposals were made.

An extraordinary dividend of £247,000 represented the surplus on sale of investment property over cost.

GrandMet purchase

Grand Metropolitan is buying Aunt Nellie's, a vegetable packing company based in Wisconsin, which had sales last year of \$67m. The consideration was not disclosed.

GrandMet purchase

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GrandMet purchase

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Fresh debt reconstruction as losses mount at Eagle Trust

By Bronwen Maddox

EAGLE TRUST, the troubled mini-conglomerate which was delisted a year ago, announced a £8.47m pre-tax loss for 1990 accompanied by its second reconstruction of debt within the last five months.

It also revealed that the reversal on September 27 of an earlier court ruling now left it free to pursue claims for £1.1m against SBC Savory Mlin, its former stockbroker.

"Our total £70m litigation portfolio has been built up, but the reconstruction means that no one can afford to believe we will not be around," said Mr David James, chairman.

In the reconstruction the banks will convert about £20m of interest due between January 1 1991 and December 31 1993 into convertible redeemable preference shares in Eagle Trust.

The group's net debt is

£87.5m, compared with £118m in September 1989 when Mr James, who has a reputation as a troubleshooter, was appointed.

The reconstruction needs shareholder approval at the annual meeting on November 6.

The previous reconstruction in May converted £15m of bank debt into preference shares in a newly-formed holding company for the largest subsidiary Samuelson Group.

The two reconstructions were prompted by the 1990 losses, which pulled shareholder funds down to a negative £41.5m from a negative £20.4m in 1989.

Samuelson, the film services company, and the Pavis plumbing business - now sold to management - were hit hard by the continuing downturn on turnover down from

£108.9m to £98.5m. Net interest charges of £14.1m (£12.8m) led to the £1.9m increase in pre-tax losses, despite a £1.1m provision after the release of investments.

Mr James said: "We are not necessarily breaking up the company, we could either hold or trade the remaining businesses."

The litigation against SBC concerns the company's 1987 rights issue, and claims £13.5m and costs. The company also claims £50m for negligence and damages from auditors Peat Marwick. It is also claiming an unspecified amount from seven former directors.

The accounts list numerous outstanding suits brought by former directors against the company, including one action for wrongful arrest and defamation.

The group's net debt is

Government to probe Edencorp

By Peggy Hollinger

THE government yesterday appointed inspectors to probe Edencorp, the troubled leisure group which has been in administrative receivership since July. The inquiry is to follow complaints from the company's shareholders over the conduct of its affairs.

Edencorp was floated on the USM in May 1989 at 21p. Under its terms, the company pursued an aggressive acquisition policy in Portugal and the UK.

In May 1990, Edencorp announced talks on a possible bid "with a number of parties" - believed to include Verit, the investment vehicle for controversial Irish businessman,

Mr John Carway. However, talks were cancelled in November.

Mr Wallace resigned as chairman in December 3 amid controversy over £200,000 in loans made to him through a subsidiary of the company.

On December 6 the shares were suspended as Edencorp said it had received an offer not above the 12p suspension price. The group also announced that gearing was 80 per cent and the result for the year to end October would be

"very disappointing". Edencorp, under the chairmanship of Mr Tim Jones, began legal proceedings to recover the loans to Mr Wallace which contravened company law. Edencorp said the majority of the loans - which were interest free - had not been authorised by the board.

In a boardroom coup in May this year, Mr Wallace was reinstated with the help of Mr Carway. The law suit against Mr Wallace was suspended.

The receivers are believed to be examining the possibility of resuming legal action to recover the funds. Verit is also known to have approached the receivers over acquiring some of Edencorp's assets.

Smurfit accepts revised Brent Walker proposals

By Roland Rudd

JEFFERSON SMURFIT, the Irish paper and packaging company, announced last night that a subsidiary had reached conditional agreement with Brent Walker, the troubled leisure group, to acquire the latter's 25 per cent stake in Walker 13 per cent capital bonds should be swapped.

Smurfit also said that its chairman, Mr Michael Smurfit, had accepted the proposals on the same basis on behalf of his personal interests.

Brent Walker said that the takeover would no longer be considered "company" to be in an offer period. This indicates that Lomho's tentative takeover offer is now dead.

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Agreed £19.6m German bid for Unistrut

By Roland Rudd

Halfen, the German building materials group, yesterday launched an agreed cash offer for Unistrut, the UK metal framing company.

The German company, a subsidiary of the family-owned Haniel group, is offering 230p for each Unistrut ordinary share and 191p for every preference share, worth a total of £19.6m.

The preference shares are traded on the Granville Independent Companies Exchange and the offer price represents a 60 per cent premium to the market quote. The ordinary shares are not traded.

Halfen's offer is conditional on the approval by Unistrut shareholders of £8.1m (£4.65m) payments to certain investors covering, among other things, a license on the Unistrut name in eastern Europe and the UK.

The bidder claims to have received irrevocable undertakings representing 61 per cent of Unistrut's voting shares.

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COMPANY DIRECTORS,

DON'T BE LATE FOR A

VERY IMPORTANT DATE.

A PRIVATE LIMITED COMPANY just ten years from the end of its financial year to send its accounts to us. An annual return should be submitted every twelve months... but don't leave it too late. After all, it's easy to lose confidence in a company that fails to meet its legal obligations. It can also cause trading problems when anyone wanting to do business with you doesn't have access to most up-to-date information. If you're the director of a private limited company, don't miss that important date. Because you might not just lose business, you may gain a criminal record and personally liable for a sum of up to £2000.

For more information telephone Companies House on 0222 222222.

Companies House is an Executive Agency of the Department of Trade and Industry.

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Allied Leisure gloomy despite 19% advance

By David Churchill, Leisure Industries Correspondent

ALLIED LEISURE, the nightclub and ten-pin bowling centre, sees no early sign of a recovery in leisure spending.

Mr Richard Carr, chairman, said yesterday the sector was still depressed. "I cannot see any real upturn until next May or June," he added.

In spite of his pessimism, Mr Carr announced pre-tax profits for the year to July 16 showing 19 per cent growth, from £2.5m to £2.9m. Turnover rose to £21.8m (£18.9m).

Earnings per share dropped to 12.3p (£3.6p). The final dividend is 3.25p on capital increased by a rights issue, for a total of 4.75p (£3.9p).

Mr Carr said the company in turnover was in line with expectations as a result of the recession. "However, we are keeping measures and holding our operating margins enable us to increase profits against a backdrop of deep recession."

Allied operates 12 ten-pin bowling centres in the UK, with a further two planned to open by the end of the year in Dundee and Preston. Its second nightclub opened last December in Bedford and has traded well, said Mr Carr. A third club opens in Dundee in December.

Mr Carr said expansion plans in Germany had been put on hold because of the opportunities to expand in the UK market.

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\$25m loan for Anglesey

By Bronwen Maddox

ANGLESEY MINING yesterday agreed a project loan of up to \$25m (£14.5m) as part of the finance of Phase II of its development of the Parys Mountain mine in North Wales.

Coopers & Lybrand Deloitte heavily qualified Anglesey's report to March 1991. It could not be sure that the finance would be found, and was uncertain whether \$8.57m for development and exploration included in the balance sheet could be recovered.

Phase II, to take the development to the point of operation, will need about £20m. Mr Hugh Morris, chairman, said the company would look to raise new equity as part of the package.

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UK COMPANY NEWS

Stepping stone over continental illiquidity

Philip Coggan on the thinking behind Fidelity European Values' loan stock issue

EUROPEAN STOCK markets may have many attractions in the 1990s. But one barrier to institutional investment is that some of the individual continental markets are highly illiquid, and thus difficult to invest in with confidence.

But a recent issue has given institutions their first chance to match the performance of a European market index in a traded form.

The loan stock issued by a new investment trust, Fidelity European Values, will be redeemed in 2001 in line with the rise and fall over the next 10 years of the FT-A European ex-UK index. In other words, if the index doubles, then £1,000 of loan stock will be redeemed at £2,000.

In the meantime, quarterly interest will be paid at a rate which matches the yield on the index - currently 3.2 per cent.

That is an additional attraction to institutional investors, since they can claim back the tax deducted on Fidelity's loan stock from the Inland Revenue. Had they invested directly in the underlying European equities, they would have been withholding tax on the dividends, which could not be reclaimed from the Revenue.

To date, only £10m of the stock has been placed with institutions by UBS Phillips.

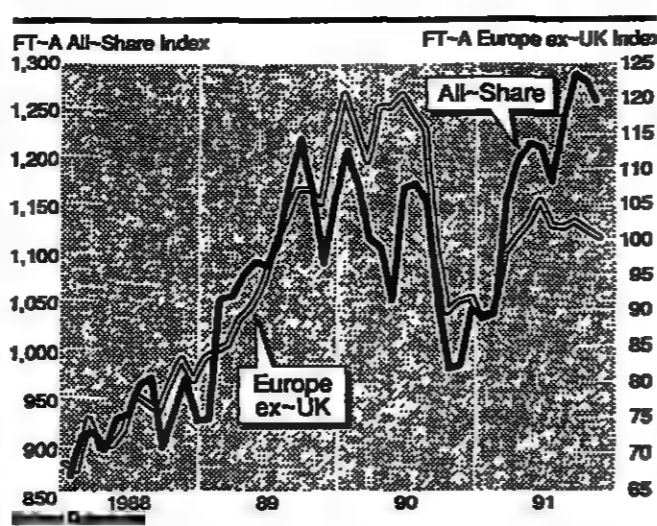
Drew but a further £10m could be issued if the trust raises the maximum £80m via its ordinary share issue.

The FT-A European ex-UK index is dominated by France and Germany, which made up about 47 per cent of the total weighting as of August 31; Italy, the Netherlands, Spain and Switzerland added a further 40 per cent, with the remainder consisting of smaller markets such as Belgium and Norway.

Matching the index would be quite cumbersome and expensive for a small institution and following an active investment policy across such a wide area could require substantial resources.

But given that the loan stock seems quite an attractive option to institutional investors, what does it mean for the trust that is issuing it?

Any investment trust which borrows is gambling that the return it generates from investing the proceeds will be greater than the cost of servicing the borrowed money. Say, for example, a trust borrows the equivalent of a quarter of its assets at 10 per cent interest. Then if share prices rise by 20 per cent in a year, its net assets will rise even further - by 25 per cent. If however, shares fall by



20 per cent, then its net assets will fall by 27.5 per cent.

Rather than being related to interest rates, the gearing effect on the Fidelity trust will be dependent on the fund manager's ability to out-perform the index.

If the trust has 20 per cent gearing, then a 10 per cent increase in its gross assets, compared to a 20 per cent rise in the market, would mean only a 5 per cent increase in net assets.

So given that many fund managers fail to beat indices,

might the loan stock not be rather a hard task-master? Mr Anthony Bolton, who will be managing the trust, argues that the job of any professional fund manager is to out-perform the index.

Fidelity's European unit trust, also managed by Mr Bolton, has out-performed the index over the past five years, during which time it has been first in the sector.

However, Mr Bolton has not done as well over the last two years with the unit trust fund.

ing 19.3 per cent (offer-to-bid with income reinvested) far worse than the 5.3 per cent fall in the index. That situation would have resulted in a 20 per cent-plus fall in net assets if replicated by the investment trust.

However, the nature of the stock does protect him from the "double whammy" effect of a falling market. If European markets decline, so too will the value of the loan stock. That would obviously not be the case had the trust borrowed via a conventional route.

In addition, had the trust paid, say, 8 or 9 per cent to borrow D-Marks, then Mr Bolton would have been forced to look for high-yielding European shares in order to meet the interest payments. That would have distorted his investment strategy.

However, the loan stock of the trust is not entirely positive for Fidelity. It offers a fixed return on a fixed term, whilst having to pay gross interest on the loan stock to investors.

But is not the Fidelity trust structure a success, it seems inevitable that the loan stock will not be the last attempt to provide institutions with an ethical route into European equities.

Quadrant declines to £940,000 at halfway

AN OPERATING and reduced investment income at Quadrant Group resulted in pre-tax profits falling from £2.5m to £940,000 over the half year to August 31.

The group, with interests in photographic products, processing, videos, and shipping, saw sales decline to £26.4m (£28.2m), an operating loss of £255,000 (profit £201,000), and a net loss of £1.7m (£1.7m).

On top of that was an exceptional charge of £120,000 for compensation to Mr Jeremy Peace, the former chairman.

Earnings per share came to 2.04p (1.15p) but the interim dividend was again 1.65p. The company has repurchased a total of 2.82m of its shares at an average price of 77.7p.

Sales at Sengors were down, closely tracking the general malaise of the photographic products market. Development of its own imported and branded product range was progressing positively. Leads Photovision was also affected by trading conditions.

In processing, the estate agency side improved. In the medium term, however, only a modest recovery in activity would provide the foundation on which stable earnings could be built.

Results of the video division were disappointing, in part attributable to a slowdown in investment by public bodies and other institutions.

Earnings from shipping were expected to make a material contribution to the year end results as the second LPO vessel was delivered last month.

Wm Sinclair moves ahead to £4.48m

William Sinclair Holdings lifted pre-tax profits by some 13 per cent, from £3.88m to £4.48m, in the year to June 30.

Among the three divisions, pet animal and aquatic products did well with turnover up from £1.8m to £4.48m and profit before tax and interest added from £1.1m to £4.15m as a result of the continued recovery at Woodpecker and the opening of the new depot at Wickham, Lincoln.

Turnover of the garden leisure and professional horticulture division fell to £23.2m (£24.3m) while profit fell 11 per cent to £2.56m. In garden sundries and Silverpet industrial turnover rose 20 per cent to £4.65m (£3.87m) while the profit rise was held to 13 per cent after an exceptional loss following a nursery closure.

Earnings per share worked through at 17.2p (17.1p) on capital increased by last November's rights issue. The dividend is raised from 6.3p to 6.7p with a final of 5.1p.

Losses at Lendu increase to £173,500

Lendu Holdings, which has supplemented its original rubber activities in West Malaysia with sheep and cereal farming in Australia, incurred a loss of £173,500 pre-tax for the first half of 1991.

The outcome - which compared with a £111,000 loss time - was on turnover of £84,901 (£55,658) and took in exchange gains of £29,164.

Losses per share emerged at 1.36p (0.72p).

An extraordinary gain of £145,583 represented further compensation against compulsory land acquisition in Malaysia.

Martin Currie Pacific assets rise

The net asset value of Martin Currie Pacific Trust was 291.4p per share at August 31, up from 264.9p a year earlier and 285.2p at the trust's year-end in February.

Investment for the six months totalled £118,000 (£17,000) reflecting increased exposure in Japan and New Zealand and Hong Kong. Earnings per share worked through at 9.96p, up from 8.14p last time.

IMI expands US building side

IMI, the building products, fluid power and specialist engineering company, has acquired AW Inc from Illinois.

The purchase marks the first US acquisition for IMI's building products group, which made pre-tax profits of £1.1m in the first half of 1991.

AW Inc specialises in pressure regulating and safety controls for heating and plumbing systems. It has turnover of \$20m (£11.4m) net assets of \$11m and 175 employees.

Its products will supplement those manufactured by IMI Yorkshire Fittings in Europe and Australia where demand is growing.

Poor retail climate hits Havelock Europa

By James Suxton, Scottish Correspondent

HAVELOCK EUROPA, the shopping group, plunged into the red in the first half of this year.

It blamed a collapse of orders from stores groups for a pre-tax deficit of £2.18m (loss of £1.8m) over the half.

That came from turnover of £17.4m (£18.1m), and compared with pre-tax profits of £615,000 (£1.5m) in the whole of 1990.

Sir Lewis Roberts, who was installed as chairman by financial institutions in 1988, regarded the loss as "a blip". However, he did not expect any substantial improvement in the second half, though there were signs of improved volume of work in the first quarter of 1992.

The interim dividend was held at 1.5p on losses per share of 9p (earnings 2.5p). The final 2.1p last time - would depend on the second half outcome and prospects for 1992.

Sir Lewis said customers had not spending both on new

stores and refurbishments, and what business had been won was on low margins against intense competition. The group was, however, expanding into new markets including equipping banks and building societies.

The plant at Inchinnan, near Glasgow, had been closed and staff numbers cut, resulting in exceptional charges of £490,000. There was an extraordinary charge of £110,000 relating to a discontinued line.

Mr Hew Balfour, managing director, said the group was pressing ahead with cost control measures, including just-in-time production which should enhance productivity and profitability.

The group completed projects for Harrods and Selfridges, and was now serving National Westminster in addition to TSB. It had a new supply agreement with Boots and expected Marks and Spencer would be a substantial source of work in 1992 and beyond.

Exceptionals hit Maunders

After providing an exceptional £1.69m against specific sites in its land bank, John Maunders Group, the residential and industrial estate developer, saw pre-tax profit fall by 10 per cent.

In the year to June 30 the group again made legal completions but its further sales to first time buyer units coupled with discounting meant turnover dropped from £10.5m to £9.5m.

Selling prices continued to decline but reductions were more severe in the south than in the north-west. Operating profit fell to £5.15m (£5.45m) after exceptional charges. Interest charges declined to £2.59m (£3.1m) leaving the pre-tax balance at £2.56m (£2.35m). Earnings per share came to 9.84p (9.45p) and the dividend is again 4.95p, a final of 2.65p.

Year-end bank borrowings amounted to 30 per cent of shareholders' funds.

LEGAL NOTICES

TO ALL CREDITORS AND OTHER PARTIES-INTEREST OF MCORP FINANCIAL, INC., AND MCORP MANAGEMENT, INCLUDING HOLDERS OF SECURITIES OF MCORP AND MCORP FINANCIAL, INC.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re:
MCOFP FINANCIAL, INC.,
MCOFP MANAGEMENT, and
MCOFP,
Debtors.

ORDER APPROVING REVISED THIRD PROPOSED DISCLOSURE STATEMENT PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE WITH RESPECT TO THE REVISED THIRD PROPOSED CHAPTER 11 PLAN OF MCOFP FINANCIAL, INC. AND MCOFP MANAGEMENT

TO ALL CREDITORS AND OTHER PARTIES-INTEREST:

On September 11, 1991, the Third Proposed Disclosure Statement Pursuant to Section 1125 of the Bankruptcy Code With Respect to the Third Proposed Chapter 11 Plan of MCOFP Financial, Inc., and MCOFP Management (the "Third Proposed Disclosure Statement") was filed by the debtors in the above-captioned, jointly-administered bankruptcy cases (the "Debtors"), relating to the Third Proposed Chapter 11 Plan of MCOFP Financial, Inc., and MCOFP Management (the "Third Proposed Plan"), and the Court is satisfied that proper notice of the hearing on the Third Proposed Disclosure Statement and of the time by which objections must be filed to the Third Proposed Disclosure Statement was given to all creditors and parties-in-interest on September 11, 1991, and that such notice is reasonable under Bankruptcy Rules 2002(b), 3017(a), and 3006(c)(1); and the Debtors have provided certain nonnumerical revisions set forth in the Notice of Debtor's Numerical Revisions to the Third Proposed Plan filed on September 30, 1991, to be incorporated into the Third Proposed Plan (the "Revised Third Proposed Plan"), with conforming changes to the Third Proposed Disclosure Statement set forth in the Third Proposed Disclosure Statement dated and filed with the Court on September 30, 1991 (the "Revised Third Proposed Disclosure Statement"); and the Court has considered the objections filed to the Third Proposed Plan, and the other records in this case, and has determined, after hearing on notice, that the Revised Third Proposed Disclosure Statement contains adequate information pursuant to 11 U.S.C. § 1125.

IT IS HEREBY ORDERED AND NOTICE IS HEREBY GIVEN THAT:

1. The Revised Third Proposed Disclosure Statement is hereby approved in all respects pursuant to 11 U.S.C. § 1125, including the solicitation procedures set forth in Exhibit L to the Revised Third Proposed Disclosure Statement (the "Solicitation Procedures"), and attached hereto. [For purposes of publication of this Order, Exhibit L is not included.]
2. Creditors voting to accept or reject the Revised Third Proposed Plan must properly complete their Ballot, and deliver their Ballot as set forth in the Ballot and in the Solicitation Procedures on or before November 5, 1991, or such Ballot will not be accepted for purposes of confirmation.
3. The Revised Third Proposed Plan, the Revised Third Proposed Disclosure Statement, this Order Approving the Third Proposed Disclosure Statement, and a Ballot or Ballots substantially conforming to the sample Ballots attached in Exhibit L to the Third Proposed Disclosure Statement (collectively, the "Solicitation Package") shall be transmitted by U.S. first-class mail, postage prepaid, on or before October 8, 1991, to (i) each entity listed in the Debtors' schedules of liabilities previously filed with the Court, as amended or reconstituted prior to the record date, (ii) each entity having filed with the Court a proof of claim against any of the Debtors that has not been disallowed by an order of the Court entered on or before the record date, and (iii) equity security holders, and other parties-in-interest as provided in Bankruptcy Rule 3017(d).
4. The record date for determining the holders of stock, bonds, debentures, notes and other securities entitled to receive the Solicitation Package pursuant to Bankruptcy Rule 3017(d) is October 1, 1991.
5. The hearing on confirmation of the Revised Third Proposed Plan is scheduled for November 13, 1991 at 9:30 a.m., Central Daylight Savings Time, in Houston, Texas, before the Honorable LETITIA Z. CLARK. The Confirmation Hearing may be adjourned from time to time by the Court without further notice except for an announcement made at the Confirmation Hearing or an adjournment thereof.
6. The last day for filing and serving written objections to confirmation of the Revised Third Proposed Plan pursuant to Rule 3006(c)(1) is November 5, 1991. Written objections, if any, shall be filed with the Court and a copy shall be delivered to:

D.J. Baker
Weil, Gotshal & Manges
700 Louisiana, Suite 1600
Houston, Texas 77002
Thomas W. Luce, III
Hughes & Luce
1717 Main Street
Dallas, Texas 75201
Wesley Holdings
United States Trustee
440 Louisiana Street, Suite 2500
Houston, Texas 77002
Robert J. Rosenberg
Latham & Watkins
885 Third Avenue, Suite 1000
New York, New York 10022-4068

Any objection not timely filed shall not be considered by the Court.

DATED this 1 day of October, 1991.

UNITED STATES BANKRUPTCY COURT

IF YOU HAVE ANY QUESTIONS OR IF YOU NEED COPIES OF THE BALLOTS OR OTHER RELATED MATERIALS, PLEASE CONTACT THE DEBTORS' SOLICITATION AGENT, HILL AND KNOWLTON, INC., AS FOLLOWS:

Hill and Knowlton, Inc.
420 Lexington Avenue
New York, New York 10017
(212) 210-8850

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Board meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or final and the subdivisions shown are based mainly on last year's dividends.

TODAY	
Interim: BHS Resources, Barrow, Connell, Capital & Regional Properties, Finlay (Larnach), Grafton International, Hymix, North, Texas Asia Fund, Malaysia, Transair Tech.	Final: Newstar, Town Centre Securities.
Interim:	Final:
Crabtree & Wain	Oct. 23
Shaw & Mather	Oct. 4
Reid	Oct. 17
Comme	Oct. 17
(J)	Oct. 31

Austin Reed's long road to recovery

By John Thornhill

THE RECESSION is far from over and trading conditions even worsened in September, according to Mr Barry Reed, chairman of Austin Reed, the clothing manufacturer and retailer which yesterday announced a 29 per cent fall in interim profits.

"I do feel that the politicians are trying to tell us things that have not yet happened. Con-

way to go," he said.

"While there is plenty of anecdotal evidence to suggest an imminent end to the recession, my own experience points in a longer road to recovery... with sales remaining depressed into next year."

In the half-year to August 10, the group's taxable profits showed a fall from £905,000 to £650,000, which slipped from

£40.8m to £39.7m.

Losses of turnover, which accounts for more than three quarters of retail turnover, fell by 2 to 3 per cent although womenswear recorded an increase of 4 per cent.

Higher VAT eroded margins. The group trades from 37 stores, having closed three smaller units at the end of the half-year.

Michael Barrie, the group's

Seville Row tailor, experienced a "hiccup" on the top-of-the-range clothing fall in the UK and Europe.

Earnings per share fell from 2.1p to 1.5p. The interim dividend is 1.65p but shareholders were warned that the final would "naturally have to be on the outcome for the year as a whole".

The A shares closed 10p down at 168p.



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COMMODITIES AND AGRICULTURE

Oil at eight-week high as refiners seek N Sea crude

By Deborah Hargreaves

OIL prices reached eight-week highs yesterday when the price for North Sea Brent crude for November delivery rose by 40 cents to \$22 per barrel. Refiners are scrambling for North Sea crude, said Mr Peter Gignoux, head of Lehigh Brothers' international energy division. There is a lot of concern about Opec being at the peak of its capacity.

Production by the Organisation of Petroleum Exporting Countries could be stretched this winter as demand rises amid economic recovery. Opec output is running at 25 million barrels a day (b/d), but many predict demand for Opec oil at 24m b/d for the fourth quarter, which could test the organisation's capacity limit.

The tight supply-demand balance has led to a price spike. Refineries are building inventories in anticipation of increased demand for gas oil during the winter and a drop in Russian exports to Europe. Gas oil prices quoted in Rotterdam rose by \$4 a tonne yesterday to \$215 a tonne.

The arrival of Iraqi oil in the market - at a rate of some 1.2m b/d - could meet some of the demand. But since Opec is producing flat-out, there is little room for further increases in supply.

This will keep oil prices strong - some analysts predict a barrel of North Sea Brent crude - into next year. But many are concerned about a price collapse in the second

quarter next year if Opec does not trim output.

Two Opec ministers warned of a 1992-style price drop, when prices plunged to \$10 a barrel, next year if the organisation fails to return to production quotas.

Others are more sanguine. Mr Mehdi Vaziri at Kleinwort Benson, the London merchant bank, believes fears of a flood of Iraqi and Kuwaiti crude to the market by the second quarter are unwarranted. He also believes that USSR exports will drop to 1.2m b/d from 2.2m b/d next year and world demand will rise by 1.4 per cent.

This has led to a sharply higher estimate of the call on Opec oil to 25.2m b/d - the highest for over 10 years. Mr Vaziri expects this to support Brent prices at \$19 a barrel in the second quarter of 1992.

Soviet aluminium industry shows its mettle

Jan Robinson, recently in St Petersburg, finds producers keen to forge joint ventures

AS STOCKS of aluminium continue to mount rapidly in the west, with so far, starting news has emerged of the Soviet aluminium production capacity.

According to western companies involved in Soviet expansion and modernisation programmes, as well as industry sources within the Soviet Union, the industry's capacity is almost certainly around the 4m tonnes level.

It will certainly be above that figure by the end of the century, as new planned expansions - including one 130,000 tonnes per year (tpy) plant planned by Kaiser Aluminium of the US at Shelekhov, near Irkutsk in Siberia - come on stream.

There are 14 primary aluminium smelters in the USSR, according to the VAMI Institute (All Union Aluminium and Magnesium Institute) in St Petersburg, as well as 10 aluminium refineries.

Around 85 per cent of primary production is in the Russian Federation. The Pavlodar smelter in Kazakhstan is now believed to have been shut down.

Exports to the west will be more than 750,000 tonnes this year, capacity and utilisation figures are not released officially, but the Bratsk smelter in Siberia (the biggest in the world, with a theoretical capacity of 1m tonnes) is widely believed to have been running at about 840,000-850,000 tpy for some time.

There are three other smelters with capacities of more than half a million tonnes. Krasnoyarsk, in Siberia, stands at 800,000 tpy. Tadzhik, in Tadzhikistan, the USSR's most modern smelter, has 520,000 tpy, as does Sayansk in Siberia.

Much of this capacity, however, is dogged by outmoded technology.

The VAMI Institute says that about 10 per cent of Soviet smelter capacity has old-fashioned and heavily polluting Soderberg technology, but western smelters involved with smelter technology believe that this will be on the obsolescence side. One of the main priorities for the USSR aluminium industry is to modernise plant.

The replacing of outmoded technology, the need to become more economically and environmentally viable, the development of downstream industries and the attraction of foreign investment are the main themes of the Soviet aluminium industry. In the struggle to turn the aluminium industry into a key resource, but a major constraint.

For western producers, the uninterrupted stream of Soviet aluminium on to western markets has been an important factor behind the perilous state of aluminium prices.

However, the long-term solution to this problem may come from the same western producers, as the Soviets are

SOVIET ALUMINIUM SMELTER CAPACITY			
SMELTER	LOCATION	CAPACITY (tonnes, est)	NOTES
Bratsk	Bratsk, Siberia	1,000,000	Output at 850,000 for some time
Krasnoyarsk	Krasnoyarsk	800,000	Retrofit planned
Tadzhik	Tadzhikistan	520,000	Most modern USSR smelter
Sayanogorsk	Sayanogorsk, Irkutsk, Siberia	520,000	Very modern
Shelekhov	Shelekhov	250,000	New 130,000 tpy smelter planned
Novokuznetsk	Siberia	200,000	Possible expansion to 500,000 tpy and retrofit planned
Bogucholovsk	Krasnodarskiy	150,000	Retrofit planned
Volgograd	Volgograd	135,000	Retrofit planned
Zaporozhye	Ukraine	120,000	Retrofit and expansion planned
Urals	Kamensk, Urals	100,000	Retrofit planned
Naevitsky	Kola Peninsula	70,000	Retrofit planned
Kandalaksha	Kola Peninsula	70,000	Retrofit planned
Sumgait	Azerbaijan	60,000	Retrofit planned
Volkhov	St Petersburg	20,000	New plant rumoured
TOTAL		4,015,000	

Source: Metal Bulletin estimates

Political and economic uncertainties remain a worry for many western companies. The Soviet system remains slow, with time scales of several years for retrofit programmes, from first negotiations to completion, seen as not unusual.

It will be crucial for the Soviets to recognise, understand and use the market economy, as well as recognise the cyclical nature of the industry. From a western point of view, the development of downstream industries may not be such a good idea, as margins are tight and value added products do not necessarily guarantee profitability.

However, from the Soviet viewpoint downstream products, particularly in agricultural and construction areas, are necessary to satisfy the chronic fundamental shortage of consumer goods in the USSR. That could mean an increase in fundamental demand.

The Soviets are not as worried about profitable industries, so much as having the industries and worrying about profitability later. This attitude, a hangover from the communist era, will be hard to shake off.

In the much longer term, the insatiable thirst for things western will stretch to beverage cans and cars, already perceived by many as the big growth areas for the '90s and the rest of this century and beyond.

However, foreign investment is the key. Until this starts arriving in a big way, Soviet aluminium is likely to keep coming on to western markets in quantity to secure hard currency.

There are likely to be big rewards for companies that invest in the Soviet aluminium industry, but returns will be a long way off.

The author is an assistant editor with Metal Bulletin.

Western Mining hit by dispute

By Kevin Brown in Sydney

MINERS at Western Mining Corporation's Kambalda nickel mine in Western Australia are on strike today in a dispute over contract payments.

The dispute, which involves around 400 miners, represents a further setback for Western in its attempts to introduce round-the-clock operations at Kambalda.

The group has approval from the Western Australian Industrial Relations Commission for continuous operation, under which miners can be called to work on any day of the week, including Sundays.

However, it has been unable to complete a switch from five-day rosters because of continued opposition from the Australian Workers' Union,

which organises the miners. Western officials were meeting union representatives last night in an attempt to resolve the dispute and lay the groundwork for negotiations.

The group says seven-day working is essential if proposed expansion is to be viable.

The company is seeking to annual nickel output from around 100,000 tonnes to 65,000 tonnes over two years through expansion of the Leinster and Kambalda mines, together with expansion of the Kalgoorlie smelter and Kwinana refinery.

The group is the third largest nickel producer outside the former eastern bloc countries. The Forgers gold mine in Papua New Guinea is also in

budget and should reach target production of 1m ounces of gold in 1992. Placer Pacific, the Australian gold producer, said yesterday.

Mr Alf Paton, chairman, told US investors in New York that the strong performance by Forgers would significantly reduce the need for the company's borrowings in the current year.

Placer has a 30 per cent stake in Forgers, which is jointly owned by MM, the Queensland-based mining group, and Renison Goldfields, an Australian associate of the UK's Hanson group.

Mr Paton said Placer plans to increase exploration activities in Australia and the western Pacific, where it is already exploring more than 100 projects.

EIU sees steady growth in consumption of cotton

By David Blackwell

WORLD COTTON consumption is forecast to rise by 1.9 per cent a year for the next five years - slightly faster than total world demand for fibres, according to an Economist Intelligence Unit report.

At that rate of increase, which compares with 2.5 per cent a year for the past five years, world consumption will reach 94.2m bales in 1995-96. Over the same period, world output is forecast to rise annually by 1.3 per cent, taking it to 92.5m bales in 1995-96.

The EIU points out that cotton stocks were about 31 per cent of consumption

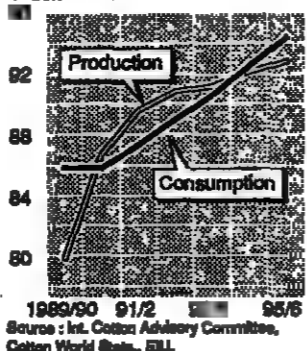
in the season just past.

By July 1991, stocks are set to have fallen to only 26 per cent of the previous season's consumption. Prices are expected to rise from the 83 cents a lb of the season just past to 85 cents a lb over the five-year period. The report suggests that this will stimulate the gains in market share of the past decade.

"In the developed economies concern for the environment and for 'healthy living' have become more important in recent past, giving rise to such promotional concepts as 'green cotton'." Consumer advertising and television are

World cotton forecast

million bales



also likely to enhance cotton's image as a fashionable high quality product in the developing countries.

Cotton in 1996 - Pressing a natural advantage. EIU, 2175 or 2175

Pechiney chief warns of over-capacity problems

By Kenneth Gooding, Mining Correspondent

NOT even a strong recovery from the recession in the industrialised countries will change the need for the aluminium industry to shut down some production capacity, says Mr Bernard Legrand, executive vice-president and head of the aluminium division at Pechiney, the state-owned French group.

There is around 1m tonnes of new and expanded capacity coming into operation by the end of 1992, and it would require an unprecedented growth in aluminium demand - well over 6 per cent a year - if this is all to be absorbed.

But Mr Legrand does not believe that the European producers should necessarily bear

the brunt of the capacity closures now urgently needed.

The North American companies point out that the highest-cost aluminium smelters are in Europe and insist that they should logically be the first to shut down.

There is a war of nerves between producers, because they say it is uneconomic just to ease back production, but closures at full scale lines or even involve long-term decisions because they are very expensive to start up again.

Mr Legrand points out that each smelter is a special case. Some are protected from the low spot prices by long-term contracts and relationships

with their customers.

In any case, Europe has made the highest contribution to the recent restructuring of the industry, says Mr Legrand.

Between 1982 and 1992, about 650,000 tonnes of capacity in the European Community will have been permanently closed down.

In contrast, the so-called Lazarus smelters in the US, which shut during the last recession because of their high costs, have come back from the dead and most are still operating.

Aluminium prices were in retreat on the London Metal Exchange yesterday after a day of volatile price movements. Three-month metal closed

near the contract lows seen in the morning. Traders said the upward revision of the early part of the week had been seen as an ideal selling opportunity by producer and merchant hedgers.

"There is no chance of a decent rally while producers keep pumping out unwanted metal," one trader said.

Zambia is to lower the copper premiums it charges its long-term contract customers next year, the Metal Market Association of Zambia said in London. Codeco said Chile is to lower the premiums for 1992 copper sales contracts in Europe and the Far East. Analysts said the premiums were in line with expectations.

MARKET REPORT

London robust coffee prices closed with moderate gains supported by tight covering and bargain hunting. The market noted a general lack of selling amid sentiment that there is little scope for further losses after the recent fall in the London market for 16 years. New York market prices were also trying to find a level at midday, but traders said overall market sentiment bearsish owing to the abundance of supplies in the hands. The London gold price showed little movement at yesterday's statement by Soviet economist Grigory Yavlinsky that Soviet gold reserves will be 240 tonnes by the start of next year. Yavlinsky

is sticking to his guns, but we don't know if they are pointing in the right direction," a gold dealer said. Late last month Yavlinsky shook world markets when he said Soviet gold reserves had dropped to 240 tonnes. Western experts believe they are much higher. On the LME market consolidated but found difficulty in moving above the \$2,330-a-ounce resistance level. Nickel continued to resist after finding resistance at \$7,800 a tonne. The market was undermined earlier gains on the back of news of the strike at Western Mining's Kambalda operations.

Compiled from Reuters

London Markets

SPOT MARKETS			
Crude oil (per barrel FOB)			
Dubai	18.70-18.75	18.65	+0.05
Brent (dead)	22.40-22.50		+0.45
Brent (live)	22.10-22.15		+0.45
WTI (1 pm)	22.10-22.15		+0.45
Oil products			
GNV prompt delivery (per tonne CIF)			
Premium Gasoline	2220-2234		
Gas Oil			+0.45
Heavy Fuel Oil	2175-2177		+0.45
Naphtha			+0.45
Petroleum Coke			+0.45
Other			
Gold (per troy ounce)	337.85		-0.40
Silver (per troy ounce)	408.00		+1.00
Platinum (per troy ounce)	320.00		+1.25
Palladium (per troy ounce)	270.00		+1.10
Copper (US Producer)	112.00		+1.00
Lead (US Producer)	38.00		+0.02
Tin (Kuala Lumpur market)	143.00		+0.02
Tin (New York)	297.00		+1.00
Zinc (LME Prime)			
Five weight	110.45		-0.05
Five weight	71.10		-0.25
London daily sugar (raw)	82.43		-0.50
London daily sugar (white)	88.00		-0.50
Tate and Lyle export price	126.00		+2.00
Barley (English)	11.00		-0.50
Maize (US No. 3 yellow)	21.00		-0.50
Wheat (US Dark Northern)	21.00		-0.50
Wheat (US Hard)			
Wheat (US Soft)	24.50		+1.00
Wheat (US White)	24.50		+1.00
Rubber (CI RSS No 1 Nov)	200.00		+2.00
Coconut (Philippines)			
CIN	334.00		
Coconut (Philippines)	338.00		
Soyabean (US)	618.00		+1.00
46-45	60.00		
54a Super	236.00		
a = one tonne otherwise stated; stated p=perance; c=cent; b=100; r=range; g=Grade; O=October; S=September; D=December; N=November; E=Export; A=Average; B=Base; P=Premium; L=Loss; H=High; M=Medium; L=Low; S=Soft; H=Hard; W=Weak; S=Strong; B=Buy; S=Sell; F=Forward; P=Physical; D=Delivery; C=Contract; M=Market; N=New; O=Old; R=Raw; W=White; Y=Yellow; D=Dark; L=Light; S=Soft; H=Hard; W=Weak; S=Strong; B=Buy; S=Sell; F=Forward; P=Physical; D=Delivery; C=Contract; M=Market; N=New; O=Old; R=Raw; W=White; Y=Yellow; D=Dark; L=Light; S=Soft; H=Hard; W=Weak; S=Strong; B=Buy; S=Sell; F=Forward; P=Physical; D=Delivery; C=Contract; M=Market; N=New; O=Old; R=Raw; W=White; Y=Yellow; D=Dark; L=Light; S=Soft; H=Hard; W=Weak; S=Strong; B=Buy; S=Sell; F=Forward; P=Physical; D=Delivery; C=Contract; M=Market; N=New; O=Old; R=Raw; W=White; Y=Yellow; D=Dark; L=Light; S=Soft; H=Hard; W=Weak; S=Strong; B=Buy; S=Sell; F=Forward; P=Physical; D=Delivery; C=Contract; M=Market; N=New; O=Old; R=Raw; W=White; Y=Yellow; 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LONDON STOCK EXCHANGE

Currency factors depress share prices

By Terry Byland, UK Stock Market Editor

DOMESTIC political concerns continued to depress UK stocks yesterday, outweighing any benefits for the London market from the improvement overnight on Wall Street.

A further setback in sterling and higher money rates in London reflecting fears that the Bank of England might raise rates to curb inflation, weighed on the market. The pound fell to a low of 166.5 against the dollar, and the three-month rate rose to 10.5 per cent.

However, the market steadied after Mr Norman Lamont, UK Chancellor of the Exchequer, told the Conservative conference of signs of "green shoots of an economic spring". Also helping equities was a late rally in sterling.

Political uncertainty appeared to unsettle overseas,

flows; some arbitrageurs sold blue chips and bought the futures contract.

After reaching 2,607.3 in early trade, the FT-SE 100 Index dropped to show a net fall of nearly 25 points at the day's low. The final reading left it at 2,584.1, off 15.4 on balance.

Underwriting pressures were also felt as British Aerospace fell 1.5 per cent to 1,450.5, and the premium on the 15-shares right issue was comfortably placed.

Sea-Reported trading, which takes in both intra-market and retail investment business, continued to recover. The day's Sea-Reported deal, swollen by the Ladbroke deal, increased to 435.2m from 374.9m re-

corded in the previous session.

A small sell programme, said to be from a UK securities firm, was regarded as having only a minor impact. A misreading of an investment review by another UK firm unsettled sentiment briefly. Barclays de Rood later stressed that its review on the markets had suggested that Wall Street might be facing a 1 per cent correction, but that it was maintaining its year-end forecast for the London market of FT-SE 2,600.

Wall Street's rise this week - it has fallen by just over 1 per cent after losing the Dow 3,000 mark - has been a factor in the BZW news that Wall Street could test the Dow 3,000 mark.

Weakness in sterling unsettled the blue chip export stocks, as well as dampening hopes of a cut in UK interest rates. ICI, with the market's hopes of a move from the Hanson camp fading daily, gave ground again. ICI held relatively steady, however, in a pharmaceutical sector revived by hints that an overseas firm might be in the offing.

Growing interest in the real estate sector for blue chips took their toll of property shares again. Consumer stocks remained firm, but across the board range of equities the indications were still unwilling to chase stocks ahead. Many fund managers are committed to the British Aerospace rights issue, which could start them with an unhappy portfolio valuations.

FINANCIAL TIMES STOCK INDICES

	Oct 9	Oct 8	Oct 7	Oct 6	Year Ago	High	Low	50 Day	200 Day
Government Secs	88.76	87.12	87.32	87.28	87.44	79.98	87.94	82.17	48.16
Fixed Interest	96.68	97.12	97.01	97.07	97.11	88.87	97.17	95.59	50.53
Ordinary Shares	1675.7	1711.8	1711.1	1711.7	1625.7	2108.3	1608.3	2108.3	48.4
Gold Mines	167.3	171.1	168.5	168.5	159.9	175.9	122.8	127.0	43.5
FT-SE 100 Index	2584.1	2599.5	2598.2	2598.2	2625.8	2121.8	2879.8	2054.8	886.9
FT-SE 250 Index	1158.54	1160.51	1159.78	1170.14	1158.54	1158.54	1158.54	1158.54	1158.54
FT-SE 1000 Index	1158.54	1160.51	1159.78	1170.14	1158.54	1158.54	1158.54	1158.54	1158.54
Ord. Div. Yield	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%
Equity Turnover (m)	1,450.5	1,450.5	1,450.5	1,450.5	1,450.5	1,450.5	1,450.5	1,450.5	1,450.5
Equity Turnover (m)	1,450.5	1,450.5	1,450.5	1,450.5	1,450.5	1,450.5	1,450.5	1,450.5	1,450.5
Equity Turnover (m)	1,450.5	1,450.5	1,450.5	1,450.5	1,450.5	1,450.5	1,450.5	1,450.5	1,450.5

GILT EDGED ACTIVITY

Gilt Edged	Turnover
5-Day average	80.8
5-Day average	82.6

*SE Activity 1974

Including intra-market
turnover.

London report and latest share index:
Tel. 0898 123001

Bid talk boosts Fisons

IN THE last 90 minutes of trade Fisons jumped 25 as rumours swept the market that Swedish drug company Astra was about to launch a takeover bid for the UK group. As the market closed, Astra denied any responsibility for the share price rise.

Analysts and traders were divided over whether such a bid made sense for Astra: both companies are heavily involved in the asthma drug market, although their products do not compete directly. Sentiment was also helped by talk of a large buy order for stock and a revival of an old story that US approval was about to be given to the company's asthma drug Tilade. Analysts have been convinced for many months that the approval of Tilade is only a matter of time.

Fisons has been weak since the company's disappointing interim on September 17 and therefore might attract speculative buyers. Fisons ended at 484p for a net gain of 21 after above average turnover.

Wellcome retreats

Wellcome declined as the US Food and Drug Administration approved the first rival to the company's Aids drug Retrovir. The new drug, called DDI, but sold under the trade-name Videx, is made by US company Bristol Myers Squibb. A year's treatment of the drug will cost \$1,445 a year, wholesale - Wellcome researchers had been particularly concerned that if DDI's price had been set aggressively, it might have rebounded efforts to persuade Wellcome to cut its price.

Analysts were further reassured by news that only patients who are not helped by Retrovir, or who show an adverse reaction, will receive DDI.

Those details came only as the market closed and Wellcome ended at the day's low of 704p, a decline on the day of 17. Sentiment was also hurt by a County NatWest decision to remove the stock from its list of 30 best buys.

BAe slides

British Aerospace (BAe) tumbled early in the session as traders tested the market to find a trading floor. At the

day's worst, the shares were down 25 at 356p, the rights price being 380p.

The nil-paid, which began trading on Tuesday, halved to 3p. Sentiment was not helped by a story that one of the underwriters of the 543m rights issue had a large line of stock on the books.

Yield buyers came in late in the session and helped the shares, which closed only 3p down at 377p. Turnover was 3.6m. The nil-paid closed at 8p, unchanged on the day, after a 3.2m trading in the 543m rights issue would go on to overshadow trading.

Mr Paul Compton at UBS Phillips & Drew said: "There is some potential for a rally but the longer term downside remains considerable."

Vodafone dipped to 362p in early trading but encountered strong support in mid-session and eventually closed marginally higher on the day at 366p. Baccal Electronics edged up to 59p at the outset but then ran into a flurry of selling to close slightly easier on balance at 57p; turnover expanded rapidly to 10m. The market is gearing up for tomorrow's first closing day of the Williams bid, and expects Williams to increase its offer or a counter-bid to emerge.

BTZ backed the market's downward trend with a gain of 11 to 659p, having been 8 higher at 648p, as Lehman Brothers changed its recommendation from hold to buy.

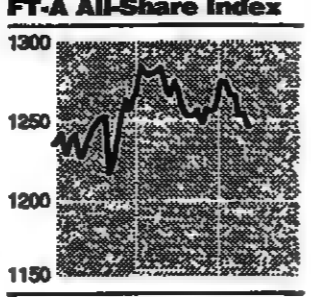
Mr Robert Davies at Lehman said metal prices would probably rise faster than the market anticipated. Unlike the last recession, after which metal prices rose only slowly, inventories were now low. Furthermore, WTI had invested more in oilfield equipment than its US rival. The market is therefore able to work lower grade ores profitably.

Advice from James Capel to switch from Pearson to Read

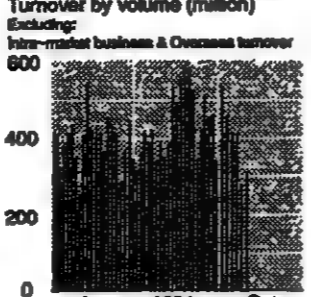
NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (FT-SE 100) (Oct 9, 1991): 2,584.1. **NEW LOWS** (FT-SE 100) (Oct 9, 1991): 2,584.1. **NEW HIGHS** (FT-SE 250) (Oct 9, 1991): 1,158.54. **NEW LOWS** (FT-SE 250) (Oct 9, 1991): 1,158.54. **NEW HIGHS** (FT-SE 1000) (Oct 9, 1991): 1,158.54. **NEW LOWS** (FT-SE 1000) (Oct 9, 1991): 1,158.54.

FT-A All-Share Index



Equity Shares Traded



Turnover by volume (million)

Exchange: International business & domestic turnover

Source: The London Stock Exchange

International left the former 17 down at 761p. Read spent most of the day in investigation, peaking at 477p. It eventually succumbed to the market's general gloom and ended a net penny down at 468p.

Political uncertainties and recent warnings that the government is seeking to increase competition in the water industry continued to cast a shadow over the utilities. Welsh Water was the worst casualty in the sector, dropping 17 to 376p, closely followed by Yorkshire, which fell 14 to 386p.

Chemist shop chain Macarthy dropped 18 to 251p after it was announced that the proposed bid by Lloyds Chemists was to be referred to the Monopolies and Mergers Commission for investigation and report. Lloyds fell 5 to 278p.

Sieba was popular after one securities house, believed to be Kleinwort Benson, hosted a

lunch on behalf of the company. The shares appreciated 10 to 530p.

ECC advanced 9 to 482p. Mr Richard Rose of securities house Hoare Govett said: "It is certainly a very high quality recovery story and not expensive at these levels."

Bank shares were persistently sold, with the notable exception of Lloyds Bank, up 2 more at 462p, still benefiting from the UBS Phillips & Drew buy note.

TSB was again the heaviest traded stock in the sector and slipped back to 138p, unsettled by fears that it is still suffering from had corporate debts. The shares rallied, however, to end just a shade easier on balance at 139.5p; turnover remained high at 4.5m.

Merchants tumbled as market anxiety to fears that British Aerospace's rights issue may well end up a flop and be left with the underwriters. Kleinwort Benson's 543m cash call, dropped 14 to 528p.

An insurance sector still trying to repair the damage wrought by recent profits and dividend cuts, triggered mainly by mortgage indemnity losses and general insurance problems, was hit for six at the outset and failed to recover from the initial onslaught.

Warwick about rights issues continued to dog the composite. The daily decline was limited by one market-making firm - Goldman Sachs - who lowered their prices across the board.

General Accident, badly mauled in recent sessions, settled 11 off at 513p. British Equities 9 more to 330p and Guardian retreated 5 to 170p.

A bullish note on the life sector issued by Robert Fleming Securities depressed the life assurance area. Fleming's Prudential fell off at 254p and Lloyds Abbey (6 lower at 397p) as well. Fleming said: "We expect other life companies to follow Prudential's lead in 1990 in reducing reversionary bonuses, with implications for lower dividend growth than expected, and we continue to recommend an underweight position in the UK life sector."

Refuge, dropped from County NatWest's important list of 30 best buys, weakened 18 to 718p. Some determined selling pressure late in the day, said to have emanated from the US, upset Rodgers, which fell 14 to 254p. Willis Corroon shares were also badly unsettled, closing 7 down at 232p.

Triplex Lloyd gained 12 to 156p and BM Group 10 to 428p, both benefiting from inclusion into County NatWest's "County 30" list of best buys.

BRITISH AIRWAYS

British Airways formed 1914p following annual profits upgrading. UBS Phillips & Drew predicted current year profits of £160m, up from £115m. Mr Richard Rose at UBS cited a "stronger than expected passenger yield and cost reductions coming through earlier than anticipated."

The floor fell briefly from beneath Bats after the 28-day rolling auction for one of four tranches of the company's variable term preferred shares (profits). The failure of the auction raises the dividend payable on the p/b by about 10p a year.

One analyst said: "This is more significant than last year's downgrade by Moody's. It virtually ensures the failure of the three auctions." The auction takes place every Tuesday. Bats before the auction pushed the shares to 82p, up a penny on the day.

Asia was down 1 to 42p as 50p was paid about its 50p rights issue, now that the shares are so close to the 50p rights price. Market specialists, however, believe the issue will eventually be taken up, although it was likely to be a struggle.

MARKET REPORTERS:

Daniel Gibson, Peter John, Joel Khezo, Jim McCulloch, Steve Thompson.

Other market statistics, including the FT-Achilles Share Index and London Traded Options, Page 32.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume	Price	Change
AAV	1,000	1.00	0.00
AAV	1,000	1.00	0.00
AAV	1,000	1.00	0.00
AAV	1,000	1.00	0.00
AAV	1,000	1.00	0.00
AAV	1,000	1.00	0.00
AAV	1,000	1.00	0.00
AAV	1,000	1.00	0.00
AAV	1,000	1.00	0.00
AAV	1,000	1.00	0.00

EQUITY FUTURES AND OPTIONS TRADING

Sellers of the stock index futures knocked the day's low to 2,584.1, a premium of 84 points to the index and 8 points below fair value. Turnover was healthy at more than 8,000 contracts.

Traded options saw brisk turnover of nearly 35,000 lots, comfortably above the estimated break-even point of 30,000. The top traded options were Amstrad and Tesco.

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LONDON SHARE SERVICE

Stock	Price	Change
AAV	1.00	0.00
AAV	1.00	0.00
AAV	1.00	0.00
AAV	1.00	0.00
AAV	1.00	0.00
AAV	1.00	0.00
AAV	1.00	0.00
AAV	1.00	0.00
AAV	1.00	0.00
AAV	1.00	0.00

Britannia Building Society senior post



Mr John Heaps (pictured), will assume the position of deputy managing director of the BRITANNIA BUILDING SOCIETY from next Monday.

Central to Mr Heaps' role will be his chairmanship of a new management board comprising Britannia's executive directors which will be responsible for the planning, management and control of Britannia. The management board will report to Britannia's board of directors through managing director Mr Michael Shaw.

In addition to Mr Heaps, the management board will comprise Mr Trevor Bayley (finance director) and Mr John Fenton (retail operations director).

Mr Heaps, 52, who was formerly chief executive of the Colne Building Society, joined Britannia on the merger of the two societies in 1988. He became a director of Britannia this June and is currently responsible for information systems.

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capacity he will continue to have responsibility for UK Geors and the South African business.

Mr Burdett was previously divisional managing director of Parkfield Castings.

At EUROPEAN LEISURE, Mr Ian Rock has taken on the role of group managing director. Mr Christopher Critchlow, currently director responsible for financial control and planning, becomes finance director, and Mr Jeremy Howarth has assumed responsibility for strategy and planning.

Mr Rock joined the board in 1980 and was the company's operations director. He was previously a director of Midsummer Leisure and managing director of its leisure division.

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Mr Rock joined the board in 1980 and was the company's operations director. He was previously a director of Midsummer Leisure and managing director of its leisure division.

child of Sir John Moores, the group's founder, has taken an active interest in the business in recent years.

Mr Neil Netho has joined LAWSON MARDON, the international packaging and printing group, as corporate legal adviser and European counsel. He was company and commercial lawyer/deputy group secretary to Nationwide Anglia Group.

Within the PEARSON group, parent of the Financial Times, Mr Warren Stone, chief executive of Addison-Wesley Publishing, its US based educational, professional and general publishing business, has also been appointed chairman of Addison-Wesley.

Mr J. Larry Jones, president of Addison-Wesley's educational publishing group, has been named vice-chairman.

Mr Stone succeeds Mr Donald Hammonds, 64, who is retiring. Mr Hammonds was chief executive of Addison-Wesley from 1979 to 1988, a period when its sales and publishing activities grew rapidly worldwide. In 1988 Mr Hammonds negotiated the sale of the company to Pearson.

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LEGAL NOTICES

IN THE MATTER OF MANFIN MANAGEMENT LIMITED AND IN THE MATTER OF THE CYPRUS COMPANIES LAW CAP 113

Notice is hereby given that the creditors of the above-named company who are holding claims against the company as at the date of the winding up order made on 10th October 1991, should submit their claims to the liquidator, Mr J. L. Jones, of 11, The Quadrant, London, EC4A 3DF, by 10th November 1991.

Notices to be served on the company should be served on the company at 11, The Quadrant, London, EC4A 3DF.

Notices to be served on the company should be served on the company at 11, The Quadrant, London, EC4A 3DF.

Notices to be served on the company should be served on the company at 11, The Quadrant, London, EC4A 3DF.

Notices to be served on the company should be served on the company at 11, The Quadrant, London, EC4A 3DF.

Notices to be served on the company should be served on the company at 11, The Quadrant, London, EC4A 3DF.

COMPANY NOTICES

CANADIAN PACIFIC LIMITED (Incorporated in Canada) OBTAINED A QUEBEC RAILWAY COMPANY

Notice is hereby given that the shareholders of the above-named company should submit their claims to the liquidator, Mr J. L. Jones, of 11, The Quadrant, London, EC4A 3DF, by 10th November 1991.

Notices to be served on the company should be served on the company at 11, The Quadrant, London, EC4A 3DF.

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Notices to be served on the company should be served on the company at 11, The Quadrant, London, EC4A 3DF.

Much the same as you, no doubt. Peter Bruce talks to Mr Big, the man who roused his socialist opponent from bed to bulldoze his house, and who would like to do the same to the governing party in Madrid. Barry Riley asks: have the Conservatives left time to rebuild a popular economic philosophy?

What is the FT getting up to this Weekend?

Nicholas Woodworth is offered eggs for breakfast on the rim of Canada and finds something very fishy about them. Back in London, he discards the outback image and asks the experts to pass him off as a City gent. Lucia van der Post has a ball in Houston and finds out the difference between being rich and being accepted. Christian Tyler discovers what it is to be a Chinese dissident in America. And so it goes on...

Weekend FT

● Latest Share Prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all times. To update your Share Code ring 01 234 5678.

[illegible]

● Latest Share Prices are available on FT Cityline. Calls charged at 38p/minute cheap rate and 48p/minute at all other times. To obtain your free Share Code Booklet ring 071-925-2128

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Continued on next page

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*Offer price inclusive of maximum preliminary charge

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Political worries hit sterling

STERLING remained under pressure yesterday on continuing worries about the standing of the ruling Conservative party, although by the London close it had recovered some of its losses following widespread speculation that the Bank of England had intervened in the currency markets.

For once, it was UK government bonds which set the tone for the sterling markets, shedding over 1 1/4 points in the last two sessions. Gilt futures led the way as its spread in the currency markets.

Disagreements within the Conservative party over its attitude towards Europe reinforced by concerns about opinion polls which put the Labour party in the lead undermined the pound. There was also disappointment that sterling had not moved into the narrower 2 1/2 per cent band within the Exchange Rate Mechanism.

However, with the market awash with rumours that the Bank of England had intervened in the currency markets, the pound did not fall far.

Indeed, dealers believed the Bank had intervened in the market to support sterling but had not done so yesterday.

An upbeat speech by Mr Norman Lamont, Chancellor of the Exchequer, at a Conservative party conference about the

prospects for the economy also helped sterling.

Further support came from money markets, where the money market was bolstered by the fact that the three-month money rate was just under 10 1/2 per cent. Money markets are not expecting any early reduction in the base rate.

The growing belief that sterling's weakness will delay further moves in interest rates is also likely to help the pound. Despite the jitters in the currency markets, sterling remains comfortably above its effective floor within the ERM.

At the night's close of just over DM2.90, sterling is at a premium above its floor of DM2.80, which is 1 1/2 pence above its floor.

Many analysts now believe the government is targeting sterling within the narrower 2 1/2 per cent band. But on the count, sterling is still comfortably above its real floor of DM2.80.

The dollar moved erratically but eventually edged slightly down on the day. The US currency had begun firmly following speculation that Mikhail Gorbachev, the Soviet president, had been shot.

The dollar fell back on a large market-yen positions were unwound. The dollar is now waiting for the US September retail sales and producer figures on Friday.

The dollar fell to DM1.6850 from DM1.6950, in the London market, sterling is still comfortably above its real floor of DM2.80.

EMS EUROPEAN CURRENCY UNIT RATES

	Unit	Rate	% Change	% Spread	Disparity
Spanish Peseta	133.33	129.34	-3.21	4.99	36
Italian Lira	2036.36	2036.36	0.00	0.00	0
French Franc	65.48	65.48	0.00	0.00	0
German Mark	1.93	1.93	0.00	0.00	0
Belgian Franc	20.36	20.36	0.00	0.00	0
Dutch Guilder	2.20	2.20	0.00	0.00	0
Portuguese Escudo	200.48	200.48	0.00	0.00	0
Irish Punt	7.88	7.88	0.00	0.00	0
Spanish Peseta	166.67	166.67	0.00	0.00	0
Portuguese Escudo	200.48	200.48	0.00	0.00	0
Irish Punt	7.88	7.88	0.00	0.00	0
Spanish Peseta	166.67	166.67	0.00	0.00	0
Portuguese Escudo	200.48	200.48	0.00	0.00	0
Irish Punt	7.88	7.88	0.00	0.00	0

Disparity rates set by the European Commission. Currency rates are denominated relative to the mark. Percentage changes are for the day. A positive change denotes a weak currency. Disparity rates show the ratio between two specific currencies. The actual market rate and the central bank rate for a currency, and the maximum permitted percentage deviation of the currency's market rate from the central bank rate.

Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

	Day's Spot	One Month	Three Months	Six Months	One Year
US	1.6850	1.6850	1.6850	1.6850	1.6850
UK	1.6850	1.6850	1.6850	1.6850	1.6850
FR	1.6850	1.6850	1.6850	1.6850	1.6850
DE	1.6850	1.6850	1.6850	1.6850	1.6850
IT	1.6850	1.6850	1.6850	1.6850	1.6850
ES	1.6850	1.6850	1.6850	1.6850	1.6850
PT	1.6850	1.6850	1.6850	1.6850	1.6850
GR	1.6850	1.6850	1.6850	1.6850	1.6850
BE	1.6850	1.6850	1.6850	1.6850	1.6850
NL	1.6850	1.6850	1.6850	1.6850	1.6850
DK	1.6850	1.6850	1.6850	1.6850	1.6850
SE	1.6850	1.6850	1.6850	1.6850	1.6850
NO	1.6850	1.6850	1.6850	1.6850	1.6850
FI	1.6850	1.6850	1.6850	1.6850	1.6850
IS	1.6850	1.6850	1.6850	1.6850	1.6850
JP	1.6850	1.6850	1.6850	1.6850	1.6850
AU	1.6850	1.6850	1.6850	1.6850	1.6850
CH	1.6850	1.6850	1.6850	1.6850	1.6850
CZ	1.6850	1.6850	1.6850	1.6850	1.6850
SK	1.6850	1.6850	1.6850	1.6850	1.6850
HU	1.6850	1.6850	1.6850	1.6850	1.6850
PL	1.6850	1.6850	1.6850	1.6850	1.6850
SL	1.6850	1.6850	1.6850	1.6850	1.6850
YU	1.6850	1.6850	1.6850	1.6850	1.6850
RO	1.6850	1.6850	1.6850	1.6850	1.6850
BG	1.6850	1.6850	1.6850	1.6850	1.6850
RU	1.6850	1.6850	1.6850	1.6850	1.6850
UA	1.6850	1.6850	1.6850	1.6850	1.6850
BY	1.6850	1.6850	1.6850	1.6850	1.6850
MD	1.6850	1.6850	1.6850	1.6850	1.6850
GE	1.6850	1.6850	1.6850	1.6850	1.6850
AM	1.6850	1.6850	1.6850	1.6850	1.6850
AR	1.6850	1.6850	1.6850	1.6850	1.6850
BR	1.6850	1.6850	1.6850	1.6850	1.6850
CL	1.6850	1.6850	1.6850	1.6850	1.6850
CO	1.6850	1.6850	1.6850	1.6850	1.6850
CR	1.6850	1.6850	1.6850	1.6850	1.6850
CU	1.6850	1.6850	1.6850	1.6850	1.6850
EC	1.6850	1.6850	1.6850	1.6850	1.6850
EG	1.6850	1.6850	1.6850	1.6850	1.6850
HK	1.6850	1.6850	1.6850	1.6850	1.6850
IN	1.6850	1.6850	1.6850	1.6850	1.6850
JP	1.6850	1.6850	1.6850	1.6850	1.6850
KR	1.6850	1.6850	1.6850	1.6850	1.6850
LT	1.6850	1.6850	1.6850	1.6850	1.6850
LU	1.6850	1.6850	1.6850	1.6850	1.6850
LV	1.6850	1.6850	1.6850	1.6850	1.6850
MY	1.6850	1.6850	1.6850	1.6850	1.6850
NI	1.6850	1.6850	1.6850	1.6850	1.6850
NO	1.6850	1.6850	1.6850	1.6850	1.6850
OM	1.6850	1.6850	1.6850	1.6850	1.6850
PA	1.6850	1.6850	1.6850	1.6850	1.6850
PE	1.6850	1.6850	1.6850	1.6850	1.6850
PG	1.6850	1.6850	1.6850	1.6850	1.6850
PH	1.6850	1.6850	1.6850	1.6850	1.6850
PK	1.6850	1.6850	1.6850	1.6850	1.6850
PL	1.6850	1.6850	1.6850	1.6850	1.6850
PT	1.6850	1.6850	1.6850	1.6850	1.6850
RU	1.6850	1.6850	1.6850	1.6850	1.6850
SA	1.6850	1.6850	1.6850	1.6850	1.6850
SE	1.6850	1.6850	1.6850	1.6850	1.6850
SG	1.6850	1.6850	1.6850	1.6850	1.6850
SI	1.6850	1.6850	1.6850	1.6850	1.6850
SK	1.6850	1.6850	1.6850	1.6850	1.6850
SL	1.6850	1.6850	1.6850	1.6850	1.6850
SN	1.6850	1.6850	1.6850	1.6850	1.6850
SR	1.6850	1.6850	1.6850	1.6850	1.6850
SV	1.6850	1.6850	1.6850	1.6850	1.6850
TD	1.6850	1.6850	1.6850	1.6850	1.6850
TH	1.6850	1.6850	1.6850	1.6850	1.6850
TI	1.6850	1.6850	1.6850	1.6850	1.6850
TM	1.6850	1.6850	1.6850	1.6850	1.6850
TR	1.6850	1.6850	1.6850	1.6850	1.6850
TT	1.6850	1.6850	1.6850	1.6850	1.6850
TV	1.6850	1.6850	1.6850	1.6850	1.6850
UA	1.6850	1.6850	1.6850	1.6850	1.6850
UG	1.6850	1.6850	1.6850	1.6850	1.6850
US	1.6850	1.6850	1.6850	1.6850	1.6850
UY	1.6850	1.6850	1.6850	1.6850	1.6850
UZ	1.6850	1.6850	1.6850	1.6850	1.6850
VE	1.6850	1.6850	1.6850	1.6850	1.6850
VN	1.6850	1.6850	1.6850	1.6850	1.6850
YU	1.6850	1.6850	1.6850	1.6850	1.6850
ZA	1.6850	1.6850	1.6850	1.6850	1.6850
ZR	1.6850	1.6850	1.6850	1.6850	1.6850

Forward rates taken towards the end of London trading. Six-month forward rates 3.50-3.50pm. 12-month forward rates 3.50-3.50pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

	Day's Spot	One Month	Three Months	Six Months	One Year
US	1.6850	1.6850	1.6850	1.6850	1.6850
UK	1.6850	1.6850	1.6850	1.6850	1.6850
FR	1.6850	1.6850	1.6850	1.6850	1.6850
DE	1.6850	1.6850	1.6850	1.6850	1.6850
IT	1.6850	1.6850	1.6850	1.6850	1.6850
ES	1.6850	1.6850	1.6850	1.6850	1.6850
PT	1.6850	1.6850	1.6850	1.6850	1.6850
GR	1.6850	1.6850	1.6850	1.6850	1.6850
BE	1.6850	1.6850	1.6850	1.6850	1.6850
NL	1.6850	1.6850	1.6850	1.6850	1.6850
DK	1.6850	1.6850	1.6850	1.6850	1.6850
SE	1.6850	1.6850	1.6850	1.6850	1.6850
NO	1.6850	1.6850	1.6850	1.6850	1.6850
FI	1.6850	1.6850	1.6850	1.6850	1.6850
IS	1.6850	1.6850	1.6850	1.6850	1.6850
JP	1.6850	1.6850	1.6850	1.6850	1.6850
AU	1.6850	1.6850	1.6850	1.6850	1.6850
CH	1.6850	1.6850	1.6850	1.6850	1.6850
CZ	1.6850	1.6850	1.6850	1.6850	1.6850
SK	1.6850	1.6850	1.6850	1.6850	1.6850
HU	1.6850	1.6850	1.6850	1.6850	1.6850
PL	1.6850	1.6850	1.6850	1.6850	1.6850
SL	1.6850	1.6850	1.6850	1.6850	1.6850
YU	1.6850	1.6850	1.6850	1.6850	1.6850
RO	1.6850	1.6850	1.6850	1.6850	1.6850
BG	1.6850	1.6850	1.6850	1.6850	1.6850
RU	1.6850	1.6850	1.6850	1.6850	1.6850
UA	1.6850	1.6850	1.6850	1.6850	1.6850
BY	1.6850	1.6850	1.6850	1.6850	1.6850
MD	1.6850	1.6850	1.6850	1.6850	1.6850
GE	1.6850	1.6850	1.6850	1.6850	1.6850
AM	1.6850	1.6850	1.6850	1.6850	1.6850
AR	1.6850	1.6850	1.6850	1.6850	1.6850
BR	1.6850	1.6850	1.6850	1.6850	1.6850
CL	1.6850	1.6850	1.6850	1.6850	1.6850
CO	1.6850	1.6850	1.6850	1.6850	1.6850
CR	1.6850	1.6850	1.6850	1.6850	1.6850
CU	1.6850	1.6850	1.6850	1.6850	1.6850
EC	1.6850	1.6850	1.6850	1.6850	1.6850
EG	1.6850	1.6850	1.6850	1.6850	1.6850
HK	1.6850	1.6850	1.6850	1.6850	1.6850
IN	1.6850	1.6850	1.6850	1.6850	1.6850
JP	1.6850	1.6850	1.6850	1.6850	1.6850
KR	1.6850	1.6850	1.6850	1.6850	1.6850
LT	1.6850	1.6850	1.6850	1.6850	1.6850
LU	1.6850	1.6850	1.6850	1.6850	1.6850
LV	1.6850	1.6850	1.6850	1.6850	1.6850
MY	1.6850	1.6850	1.6850	1.6850	1.6850
NI	1.6850	1.6850	1.6850	1.6850	1.6850
NO	1.6850	1.6850	1.6850	1.6850	1.6850
OM	1.6850	1.6850	1.6850	1.6850	1.6850
PA	1.6850	1.6850	1.6850	1.6850	1.6850
PE	1.6850	1.6850	1.6850	1.6850	1.6850
PG	1.6850	1.6850	1.6850	1.6850	1.6850
PH	1.6850	1.6850	1.6850	1.6850	1.6850
PK	1.6850	1.6850	1.6850	1.6850	1.6850
PL	1.6850	1.6850	1.6850	1.6850	1.6850
PT	1.6850	1.6850	1.6850	1.6850	1.6850
RU	1.6850	1.6850	1.6850	1.6850	1.6850
SA	1.6850	1.6850	1.6850	1.6850	1.6850
SE	1.6850	1.6850	1.6850	1.6850	1.6850

JOTTER
SSWORD

CANADA									
Index	Stock	High	Low	Close	Change	Index	Stock	High	Low
TORONTO									
4:00 pm prices October 9									
Outstanding in cents unless marked *									
900 AMN P	514.5	14.5	14.5	—	—	9000	Bank of Montreal	111.5	111.5
10000 Agropur	60.0	44.0	44.0	—	—	10000	Bank of Nova Scotia	111.5	111.5
10000 Air Cdn	57.5	7.5	7.5	—	—	10000	Bank of Toronto	111.5	111.5
6000 Airline Int	510.5	13.5	13.5	—	—	10000	Bank of Victoria	111.5	111.5
10000 Alcan	514.5	14.5	14.5	—	—	10000	Bank of Western	111.5	111.5
50000 Alcan Al	521.5	21.5	21.5	—	—	10000	Bank of Windsor	111.5	111.5
50000 Am Barr	514.5	14.5	14.5	—	—	10000	Bank of York	111.5	111.5
50000 Alco Cl A	514.5	14.5	14.5	—	—	10000	Bank of Montreal	111.5	111.5
50000 Alco Cl B	514.5	14.5	14.5	—	—	10000	Bank of Nova Scotia	111.5	111.5
50000 Alco Cl C	514.5	14.5	14.5	—	—	10000	Bank of Toronto	111.5	111.5
50000 Alco Cl D	514.5	14.5	14.5	—	—	10000	Bank of Victoria	111.5	111.5
50000 Alco Cl E	514.5	14.5	14.5	—	—	10000	Bank of Western	111.5	111.5
50000 Alco Cl F	514.5	14.5	14.5	—	—	10000	Bank of Windsor	111.5	111.5
50000 Alco Cl G	514.5	14.5	14.5	—	—	10000	Bank of York	111.5	111.5
50000 Alco Cl H	514.5	14.5	14.5	—	—	10000	Bank of Montreal	111.5	111.5
50000 Alco Cl I	514.5	14.5	14.5	—	—	10000	Bank of Nova Scotia	111.5	111.5
50000 Alco Cl J	514.5	14.5	14.5	—	—	10000	Bank of Toronto	111.5	111.5
50000 Alco Cl K	514.5	14.5	14.5	—	—	10000	Bank of Victoria	111.5	111.5
50000 Alco Cl L	514.5	14.5	14.5	—	—	10000	Bank of Western	111.5	111.5
50000 Alco Cl M	514.5	14.5	14.5	—	—	10000	Bank of Windsor	111.5	111.5
50000 Alco Cl N	514.5	14.5	14.5	—	—	10000	Bank of York	111.5	111.5
50000 Alco Cl O	514.5	14.5	14.5	—	—	10000	Bank of Montreal	111.5	111.5
50000 Alco Cl P	514.5	14.5	14.5	—	—	10000	Bank of Nova Scotia	111.5	111.5
50000 Alco Cl Q	514.5	14.5	14.5	—	—	10000	Bank of Toronto	111.5	111.5
50000 Alco Cl R	514.5	14.5	14.5	—	—	10000	Bank of Victoria	111.5	111.5
50000 Alco Cl S	514.5	14.5	14.5	—	—	10000	Bank of Western	111.5	111.5
50000 Alco Cl T	514.5	14.5	14.5	—	—	10000	Bank of Windsor	111.5	111.5
50000 Alco Cl U	514.5	14.5	14.5	—	—	10000	Bank of York	111.5	111.5
50000 Alco Cl V	514.5	14.5	14.5	—	—	10000	Bank of Montreal	111.5	111.5
50000 Alco Cl W	514.5	14.5	14.5	—	—	10000	Bank of Nova Scotia	111.5	111.5
50000 Alco Cl X	514.5	14.5	14.5	—	—	10000	Bank of Toronto	111.5	111.5
50000 Alco Cl Y	514.5	14.5	14.5	—	—	10000	Bank of Victoria	111.5	111.5
50000 Alco Cl Z	514.5	14.5	14.5	—	—	10000	Bank of Western	111.5	111.5
50000 Alco Cl AA	514.5	14.5	14.5	—	—	10000	Bank of Windsor	111.5	111.5
50000 Alco Cl AB	514.5	14.5	14.5	—	—	10000	Bank of York	111.5	111.5
50000 Alco Cl AC	514.5	14.5	14.5	—	—	10000	Bank of Montreal	111.5	111.5
50000 Alco Cl AD	514.5	14.5	14.5	—	—	10000	Bank of Nova Scotia	111.5	11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on next page

AMERICA

Prices depressed by worries over third quarter

Wall Street

SHARE PRICES gave up most of Tuesday's gains yesterday after worries about third quarter earnings had depressed market sentiment and counteracted hopes of an interest rate cut, writes Patrick Harverston in New York.

At the close the Dow Jones Industrial Average was down 17.44 at 2,946.33. The more broadly based Standard & Poor's 500 also ended weaker, down 3.57 at 376.80, while the Nasdaq composite of over-the-counter stocks fell 3.45 to 513.80. Volume on the NYSE was a brisk 1.88bn shares.

The market has been expecting poor quarterly earnings, and several companies yesterday reported weak profits or sizeable losses for the period. Investors, however, have responded favourably to companies unveiling radical, and costly, restructuring programmes which are aimed at preparing for improved economic times ahead.

A case in point yesterday was Allied Signal, which saw its shares jump 4 1/4% to \$40 on turnover of 2.6m shares after the company announced it would be taking a pre-tax write-off of \$80m in the third quarter to finance a variety of cost-cutting measures.

These include a reduction in the dividend, the loss of 5,000 jobs, the divestiture of eight non-strategic business units, and a drop in capital spending by \$225m.

The market was less generous towards Union Carbide, which fell 5 1/2% to \$19 after the company said that it was taking a third quarter charge of at least \$80m, possibly more. The company also reported third quarter net income of \$91m on sales of \$2.2bn.

A profits warning from Ford hit the carmaker's stock, which declined 3 1/2% to \$29 on the news that losses between July and September will be worse than the second quarter deficit of \$224m.

Shares of the two other big manufacturers fell in sympathy, with General Motors down

\$1 1/4 at \$37 1/2 and Chrysler \$ 1/4 at \$10 1/4.

There was some rare good corporate news from Chase Manhattan, which gained 3 1/4% to \$18 1/4 after the banking group said it would not cut its dividend and that it expected third quarter net income to come in near the second quarter's 80 cents a share mark.

Bristol-Myers Squibb climbed over \$1 after the Food and Drug Administration approved the company's anti-viral drug, Videx. The drug, also known as DDI, joins AZT as the only FDA-approved drug for treating the symptoms of AIDS. The shares ran out of steam, however, and ended up just 3 1/4% at \$81 1/4.

Merrill Lynch slumped 3 1/4% to \$45 after the securities firm confirmed that it was co-operating with a Securities Exchange Commission probe into an alleged scheme by a Florida insurance company to hide its ownership of some junk bonds. Merrill denied that it had participated in any illegal or unethical acts.

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Nordic banks pay the price of reckless expansion

High interest rates and falling property prices are also to blame for the sector's woes, says Robert Taylor

BANKING SHARES in the Nordic region have plummeted in the past two months and it is unlikely that there will be any early respite. The trend has been similar across all four countries concerned.

The reasons for the gloom are clear enough. Over the course of the year, the troubles of many of the leading Nordic commercial banks have multiplied as a result of mounting credit losses, which have made a severe impact on operating profits. The deregulation of the banking sector in the mid-1980s triggered an unsecured credit expansion in the Nordic region by the banks and other financial institutions to both corporate and private clients.

The boom, however, did not last. At present both Sweden and Finland are in a deep economic recession, and Norway has still a long way to go before it recovers fully from the shock to its economy when oil prices collapsed in the summer of 1986.

A combination of high market interest rates and rapidly falling prices in the once overheated property sector, where

many bank clients had invested their loans, have caused severe liquidity problems for many highly leveraged borrowers.

The banking troubles are the most serious in Norway, where the sector index dropped 49 per cent in August and September, compared with a fall of 3.9 per cent in the all-share index. Last year Norwegian banks' credit losses totalled Nkr6.2bn (\$1.2bn) between them, and the outlook for this year is even worse. Christiania, the country's second-largest bank, was compelled to agree to a Nkr7.1bn rescue package in August, while Den Norske Bank, the biggest bank, received a capital injection this summer from the banks' guarantee fund, intended to ease its problems after it reported a Nkr1.1bn deficit in the first six months of the year.

This autumn, Stockholm's banking shares have also been hit, with the bank and finance index falling 26.5 per cent in the past couple of months, compared with a loss of 7.3 per cent in the Allshare index.

Sweden has been damaged

NORDIC BANK STOCKS, PERFORMANCE IN 1991										
Source	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	
Copenhagen bank index	228.71	246.33	243.38	247.38	258.51	264.60	265.51	248.69	237.94	
Change on month	+5.0%	+7.7%	-1.2%	+1.6%	+4.5%	+2.4%	+0.3%	-8.3%	-4.3%	
Stockholm bank & finance index	803	911	936	881	905	909	923	779	676	
Change on month	+10.6%	+13.4%	+2.7%	-5.9%	+2.7%	+0.4%	+1.5%	-15.6%	-13.2%	
Oslo bank index	85.9	81.1	86.2	83.0	70.1	86.0	85.8	59.0	43.8	
Change on month	-15.5%	+6.1%	+5.8%	-13.7%	-15.5%	+22.7%	-0.2%	-31.2%	-25.8%	
Finland bank index	1007.12	1114.73	1002.26	1002.26	1001.59	919.80	948.10	902.13	757.39	
Change on month	-8.3%	+7.5%	+10.7%	-10.0%	-0.1%	-8.2%	+3.2%	-4.9%	-16.1%	

Source: The four sources

particularly by the crisis at Nordbanken, the state-controlled bank. In August it had to raise SKr5bn (\$816m) in new stock, with government guarantees to cover possible losses from its move to save Nobel Industries from collapse. Two weeks ago Nordbanken recorded a SKr6.6bn pre-tax loss in its first eight months' results.

In Finland the squeeze on the banks has come later than elsewhere in the region, but it has now arrived with a vengeance. During August and September, the bank index fell 20.2 per cent, compared with a decline of 17.2

per cent in the Hex index. Two separate troubles have affected Helsinki at almost the same time. Kansallisoike-Pankki, the country's largest bank, has made serious credit losses over the past eight months. It has also aroused widespread unease over secret share dealings carried out with the bank's authorisation by Mr Pentti Kouri, a New York-based financier, to increase his hold in a number of Finnish industrial companies.

On top of this the central bank was forced to intervene three weeks ago to take direct control of Skopbank, the savings bank, which faced collapse. It appears likely that the

rescue operation will cost more than Fm100m (\$2.4bn) and the central bank may have to maintain control of Skopbank for longer than it wanted to do.

The Danish banks are more highly capitalised than those of their neighbours, and the Danish economy is performing strongly at the moment. This summer, Den Danske Bank, the country's biggest bank, actually cut its loan loss provision. But none of this prevented a drop in share values in Denmark's banking sector in the past two months. The bank index lost 10.4 per cent, compared with a fall of 3.4 per cent in the bourse index.

The outlook for the Nordic banking sector remains negative, even if the banks are cutting their costs, tightening their credit controls and rationalising their structures. The loan losses will continue to mount for some time, particularly from industrial and household borrowers.

But there are some grounds for longer term optimism. All the Nordic currencies are now linked to the European Currency Unit, which should help to reduce interest rates and inflation. Tax changes are likely to encourage more savings, and the new international capital adequacy requirements from 1993 should also be beneficial.

EUROPE

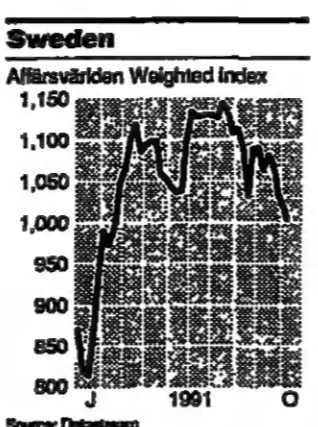
Frankfurt weakens as traders lose hope of a bounce

THE WAIT for a rebound in Frankfurt continued yesterday, as the bourse fell to a seven-week low, writes Our Markets Staff.

FRANKFURT fell as traders, who had built up long positions in the hope of a bounce in prices, squared their books. The DAX index dropped 11.49 to 1,667.22, its lowest close since 1,626.50 on August 20 during the failed coup in the Soviet Union. The FAZ index, calculated at mid-session, fell 2.94 to 650.55.

Volume was estimated to be near Tuesday's DM4.2bn, but there was little evidence that institutions were coming off the sidelines.

In its latest monthly report, Kleinwort Benson says that German equities are growing more attractive relative to bonds and that there are bargains to be found in the motor and building sectors. But it adds that the market will probably have to wait until the



Source: Reuters

turn of the year for clearer signs of what IG Metall, the metalworkers' union, will claim from engineering employers next year.

Shares were among the main losers, on reports of downgrading. Thyssen fell DM3.30 to DM220 and Hoesch lost DM2 to DM233.

FT-SE Eurotrack 100 - Oct 9								
Hourly changes								
Open	11 am	Noon	1 pm	2 pm	3 pm	4 pm	Close	
1092.95	1091.97	1090.75	1089.42	1089.01	1088.55	1088.80	1088.95	
Day's High			1092.96	Day's Low			1088.09	
Oct 8	Oct 7		Oct 6		Oct 5	Oct 4	Oct 3	Oct 2
1093.53	1092.53		1093.21		1102.18	1104.34		

Base value 100 (1970=100)

STOCKHOLM recouped most of its early losses on the news that Ericsson, the telecoms group, has won a contract worth SKr1.06bn from Mercury and Uniflex. Ericsson rose 8 shares to SKr6 to SKr156.

The Allshare index closed 1.7 down at 1,004.5, another seven-month low. Turnover was active at SKr464m, up from SKr341m. Early losses were triggered by disappointing results from Stora, the forestry company. Stora's A shares dropped SKr20 to SKr280 after the company announced a 31

per cent fall in eight-month profits and issued a profits warning for the full year.

Elsewhere in the forestry sector, SCA's announcement of an 11 per cent decline in eight-month profits was more in line with expectations, and its B shares added SKr1.5 to SKr97. MoDo, which is expected to report poor results tomorrow, saw its B shares close unchanged at SKr210.

Free Be in Astra, the pharmaceutical group, rose SKr6 to SKr515. Astra denied rumours that it might bid for Fisons of the UK.

PARIS finished lower after trading within a narrow range. The CAC 40 index slipped 4.88 to a four-week low of 1,843.43. Turnover remained thin at about FF1.5bn, after Tuesday's FF1.7bn.

The construction sector was weak, after Spie Batignolles announced a first-half net loss of FF150m, compared with a profit of FF90m in the same period of 1990. Spie Batignolles shares fell FF14 or 3 per cent to FF458 and its parent group, Schneider, lost FF9 to FF668.

Suez shed FF4.90 to FF315.50 on worries about first-half profits. It was due to hold a news conference after the close.

Club Méditerranée gained FF7 to FF463.50 after Tuesday's late news that it had cut its stake in the loss-making Air Liberté airline. Sociétés Générales added FF1.50 to FF461.80 before announcing a rise in first-half profits.

MILAN fell in thin trading,

with the banking sector and SAI, the insurer, bearing the brunt. Fears that next week's settlement of the October trading month could be disrupted by a bourse operators' strike also weighed on the market. The Comit index fell 8.71 to 529.77 in turnover of L80bn-L100bn after Tuesday's L50bn. SAI dropped 2.6 per cent to L410 to L115.00 and was suspended until the end of the session. Dealers said that it had been revealed at a company presentation the previous day that the interim results, excluding extraordinary items, were far worse than expected.

Montedison, which has drawn up plans for some L2 trillion of asset sales to reduce debt, bucked the trend, adding L8 to L1.215.

AMSTERDAM gave up its opening gains and followed London and Frankfurt lower. The CBS Tendency index closed 0.2 down at 88.7, after opening at 89.2.

ASIA PACIFIC

Nikkei rises on arbitrage-linked buying

Tokyo

ARBITRAGE-LINKED buying and the overnight rally on Wall Street supported the 225-share Nikkei average yesterday, which rose for the first time in four trading days, writes Emiko Terazono in Tokyo.

The Nikkei finished 329.64 ahead at the day's high of 24,485.28. The session's low was 24,114.64. Volume remained thin, totalling 330m shares.

Over the whole market, however, a weaker tendency prevailed, with declines leading advances by 609 to 359 and 129 issues unchanged. The Topix index of all first section stocks edged up 1.62 to 1,860.75, but in London the ISE/Nikkei 50 index slipped 4.52 to 1,411.57. The market is closed today for a holiday.

The Nikkei average rose on arbitrage-related and options-linked buying. In afternoon trading, rumours that Mr Mikhail Gorbachev, the Soviet President, had been shot, briefly depressed prices, but the index rose after a denial from the Soviet authorities. Soviet-related issues moved

ahead on news that the Japanese government had granted an aid package to the USSR of \$2.5bn. Trading houses firmed, with C. Itoh gaining Y14 to Y713 and Mitsubishi Y3 to Y824.

Oil-related issues gained ground on the fall in crude oil prices. Interest in resource-related stocks, thanks to the focus on the Soviet Union, also spread to the oil sector. Teikoku Oil added Y34 to Y980 and Cosmo Oil Y11 to Y905.

Nippon Mining, the day's most active issue, climbed Y8 to Y608 on rumours that it was developing an anti-cancer drug with a US research organisation. Although the company denied the rumours, the issue was actively bought by investment trusts.

Sumitomo Realty & Development shed Y10 to Y1,200 on reports that the company could suffer a double-digit fall in pre-tax profits for the half-year ended September because of stock appraisal losses. The company itself has said that profits would be flat for the period.

The Tokyo Stock Exchange announced yesterday that arbitrage positions held against December futures contracts

totalled 1.1bn shares worth Y1,280bn as of October 4. Morgan Stanley became the most active arbitrageur for the week of September 30 to October 4, with 15.8 per cent of total turnover. It was followed by Société Générale Securities and Nikko Securities.

In Osaka, the OSE average fell for the third consecutive day, declining 177.34 to 26,489.60 on volume of 30m shares. Toa Wool Spinning & Weaving lost Y6 to Y766 on profit-taking after rising over the last week.

Roundup

RUMOURS THAT Soviet President Mr Mikhail Gorbachev had been shot unsettled several Pacific Rim markets.

AUSTRALIA was held back by the release of September jobs data, due today. The All Ordinaries index firmed 4.3 to 1,571.3 in turnover of A\$312m, after Tuesday's A\$199m.

Westpac declined 10 cents to A\$4.38 on fears that its annual results will be disappointing. The banking sector is due to report annual earnings next month.

HONG KONG rebounded

from a mid-morning drop on the Gorbachev rumour. The Hang Seng index closed a net 9.53 higher at 4,076.38, up 33 from the day's low. Turnover rose to HK\$1.37bn (HK\$1.27bn).

SINGAPORE closed mixed after a brief rise in the morning was reversed by the Gorbachev speculation. The Straits Times Industrial index edged 0.13 to 1,338.99 in this volume of 29.9m shares, against 34.6m. NEW ZEALAND added 1.2 per cent, encouraged by lower interest rates and the rise on Wall Street. The NZSE-40 index rose 17.07 to 1,451.28 in turnover of NZ\$13m.

TAIWAN shed early gains on the Gorbachev scare. The weighted index dipped 21.07 to 4,825.48, snapping a four-day winning streak. Turnover jumped to T\$33.5bn (T\$13.4bn).

SEOUL was lifted by late buying of motor and manufacturing shares. The composite index put on 1.68 to 709.38 in Won276m turnover. BOMBAY fell after the Reserve Bank announced a tight credit policy for the second half of the 1991/92 fiscal year. The BSE index dropped 63.72 or 3.6 per cent from Monday's close to 1,715.53.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS										
WEDNESDAY OCTOBER 9 1991										
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index
Australia (69)	151.67	+0.5	130.97	124.64	133.36	126.81	+0.3	4.79	150.97	130.55
Austria (20)	172.21	-0.8	148.70	141.62	151.40	151.83	-0.5	1.88	173.51	150.04
Belgium (47)	128.40	-0.1	110.67	105.50	112.88	110.51	+0.0	5.36	128.57	111.16
Canada (114)	133.93	-0.5	115.85	110.05	117.74	108.54	-0.4	3.48	134.56	116.37
Denmark (37)	247.93	-1.0	214.08	203.74	217.97	220.79	-0.4	1.60	220.38	216.51
Finland (19)	84.05	-2.0	72.35	68.07	73.90	73.28	-0.9	9.32	86.91	74.20
France (108)	139.88	+0.1	120.87	115.02	123.05	126.42	+0.1	4.43	120.97	115.03
Germany (65)	108.20	-0.3	91.70	87.28	93.36	93.36	-0.5	2.40	108.48	92.08
Hong Kong (56)	168.82	+0.1	145.60	138.56	148.24	167.88	+0.2	4.34	168.32	145.72
Ireland (18)	191.16	+0.1	134.25	127.78	135.68	135.68	+0.3	3.18	193.83	134.32
Italy (77)	70.22	-0.5	60.64	57.70	61.73	62.26	-0.8	3.50	70.80	61.05
Japan (474)	141.47	+0.3	122.16	118.25	124.39	118.25	+0.2	0.79	141.06	121.96
Malaysia (6)	191.16	+0.0	165.05	157.08	168.05	202.21	+0.0	2.98	191.29	165.37
Mexico (16)	1247.38	+3.8	1077.07	1025.02	1096.82	4175.98	+3.8	1.26	1201.75	1030.19
Netherlands (31)	138.14	+0.0	119.28	113.52	121.45	120.14	-0.2	4.49	138.12	119.44
New Zealand (14)	48.44	+1.2	40.10	38.17	40.83	43.42	+1.2	6.70	45.98	39.57
Norway (31)	115.87	-0.1	100.05	96.23	101.90	103.28	-0.2	3.28	115.97	100.26
Singapore (38)	185.45	-0.5	160.13	152.38	163.03	145.16	-0.1	2.45	186.46	161.24
South Africa (61)	249.14	-0.9	215.13	204.73	219.02	188.88	-0.9	2.87	251.29	217.30
Spain (89)	145.35	-0.3	124.54	118.63	133.11	132.63	+0.4	2.57	144.77	125.49
Sweden (29)	180.86	-0.8	155.25	149.70	159.05	164.86	+0.7	2.70	179.55	155.27
Switzerland (58)	92.82	+0.2	80.15	78.28	81.81	85.17	-0.1	2.27	92.80	80.08
United Kingdom (240)	177.82	+0.4	153.54	146.11	156.31	153.54	+0.6	4.83	178.61	154.45
USA (828)	163.17	-0.9	132.25	125.87	134.68	133.17	-0.8	3.18	164.88	133.72
Australia (627)	179.86	-0.2	159.60	114.11	122.04	121.07	-0.4	3.94	132.59	114.48
Europe (178)	179.86	-0.2	159.60	114.11	122.04	121.07	-0.4	3.94	132.59	114.48
Pacific Basin (716)	141.72	-0.3	122.37	116.46	123.60	117.45	-0.2	1.06	141.34	117.19
Euro - Pacific (154)	140.93	-0.1	121.18	115.80	123.59	119.81	-0.1	2.19	140.82	121.17
North America (640)	151.90	-0.9	131.71	124.84	133.57	150.21	-0.9	3.19	153.32	132.58
Europe Ex UK (204)	118.67	-0.1	100.05	95.23	101.90	103.28	-0.2	3.28	118.57	100.26
Asia Ex Japan (247)	142.51	-0.3	124.54	118.63	133.11	132.63	+0.2	2.57	142.31	118.24
World Ex US (1738)	142.51	-0.1	123.05	117.11	126.29	127.03	-0.0	2.24	142.14	117.12
World Ex UK (2202)	147.91	-0.3	124.54	118.63	124.72	139.89	-0.3	2.51	144.21	123.05
World Ex So. Af. (2031)	144.35	-0.3	124.65	118.63	126.52	130.50	-0.4	2.57	144.77	125.49
World Ex Japan (7768)	148.30	-0.6	123.08	121.90	130.42	139.23	-0.6	3.30	148.15	123.05
The World Index (1992)	145.04	-0.3	125.24	119.19	127.52	131.25	-0.4	2.57	145.47	126.78